

APPENDING

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Kazphosphate Plc (formerly Arystan Oil Plc)

**Directors' Report and Consolidated Financial
Statements**

**For the period 23 November 2006
to 31 December 2007**

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Kazphosphate Plc
Consolidated financial statements for the period ended 31 December 2007

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Company Information

DIRECTORS

D. Abdykalykova
D. Mamytov
G. Yessenov

SECRETARY

Landes Limited

REGISTERED OFFICE

5th Floor, Walmar House
288 Regents Street
London
W1B 3AL

REGISTERED NUMBER

06007551 (England and Wales)

ACCOUNTANTS

SH Landes LLP
5th Floor, Walmar House
288 Regents Street
London
W1B 3AL

AUDITORS

HWCA Limited
Chartered Accountants and Registered Auditors
7 – 10 Chandos Street
Cavendish Square
London
W1G 9DQ

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Report of the Directors
for the Period 23 November 2006 to 31 December 2007

The directors present their report with the audited financial statements of the Group for the period 23 November 2006 to 31 December 2007.

PRINCIPAL ACTIVITY

The Group's principal trading activities are the extraction and processing of phosphoric ore, concentration and processing of raw minerals, production of mineral fertilisers, yellow phosphorous and phosphorous-containing products at mine pits and plants located in Southern Kazakhstan. These products are primarily exported from this region.

DIRECTORS

The directors who have held office during the period from 23 November 2006 to the date of this report are as follows:

D. Abdykalykova - appointed 5 February 2008

B. Aris - appointed 23 November 2006 and resigned 9 October 2007

Y. Baimakhanov - appointed 9 October 2007 and resigned 5 February 2008

N. Bizakov - appointed 18 April 2007 and resigned 9 October 2007

R. Kissoondharry - appointed 23 November 2006 and resigned 9 October 2007

D. Mamytov - appointed 9 October 2007

I. T. Smith - appointed 23 November 2006 and resigned 9 October 2007

G. Yessenov - appointed 9 October 2007

All the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

INCORPORATION

Arystan Oil Plc was incorporated on 23 November 2006 and obtained a certificate entitling it to do business and borrow on 13 April 2007. The company passed a special resolution on 15 May 2007 to change its name to Kazphosphate Plc.

ACQUISITIONS

During the period the parent holding company, Kazphosphate Plc acquired three fully owned subsidiaries Intertherm B.V, Energotherm B.V and Kazphosphate LLC on 19 June 2007. The first two companies are incorporated in The Netherlands. The last company is incorporated in the Republic of Kazakhstan.

Energotherm B.V. owns a 95% controlling interest in Kazphosphate LLC, and Intertherm B.V. owns the remaining 5%.

Kazphosphate LLC is the only trading entity of the group.

Kazphosphate Plc**Consolidated financial statements for the period ended 31 December 2007**

All three subsidiaries of Kazphosphate Plc have been consolidated in these Group financial statements.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for the period and the financial position at the period end for the Group were considered satisfactory by the directors.

In particular, turnover for the Group's only trading subsidiary, Kazphosphate LLC increased on a year on year basis by 11% to US\$164M. In addition, the gross profit margin also increased by 25% to 23.8%. Even though this entity was only acquired during the year, it has made a major contribution to the Group's results.

The directors expect the Group's results to significantly improve in the future as the market price of the Group's products has increased since the balance sheet date. The directors are also investigating broadening the group's product range to include additional sales lines derived from existing products.

PRINCIPLE RISKS AND UNCERTAINTIES**Country risk**

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

Financial risk

The Group's principal financial instruments are non-derivative and comprise of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's trading activities.

The group has exposure to credit, liquidity and market risk. Note 22 explains the Group's objectives, policies and processes for measuring and managing these risks.

EMPLOYEES

The Group is committed to a policy of equal opportunities in employment by which the Group continues to ensure that all aspects of selection and retention are based on merit and suitability for the job without considerations of sex, marital status, nationality, race, colour, race, ethnicity, sexual orientation or any disability.

The Group aims to maintain a diverse workforce free from discrimination. Persons who have or develop a disability are, where possible, given practical assistance and training to seek overcome their disability in the performance of their work.

PAYMENT POLICY

The Group does not have a formal code that it follows with regard to payments to suppliers. Members of the Group generally agree payment terms with their suppliers when they enter into binding contracts for the supply of goods and services. Suppliers are, in that way, made aware of these terms.

Group companies seek to abide by these payment terms when they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At 31 December 2007 the amount of trade creditors shown in the Group balance sheet represented 135 days of average purchases.

Kazphosphate Plc

Consolidated financial statements for the period ended 31 December 2007

RESULTS AND DIVIDENDS

The consolidated income statement for the period is set out on page 7.

The directors do not recommend payment of an ordinary dividend.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the financial position of the group and the parent company and of the performance for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

HWCA Ltd have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:



Director: G. Yessenov

Date: 24 June 2009

Kazphosphate Plc**Consolidated financial statements for the period ended 31 December 2007****Report of the Independent Auditors to the Shareholders of Kazphosphate Plc**

We have audited the group and parent company financial statements (the 'financial statements') of Kazphosphate Plc for the period ended 31 December 2007 on pages 7 to 47 which comprise the consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Consolidated Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Kazphosphate Plc

Consolidated financial statements for the period ended 31 December 2007

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the group's affairs as at 31 December 2007 and of its profit and cash flow for the period then ended;
- the parent company financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

HWCA Limited

HWCA Limited

Chartered Accountants and Registered Auditors

7-10 Chandos Street

Cavendish Square

London

W1G 9DQ

Date: 3 August 2009

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Consolidated Income Statement

	Note	Period from 23/11/06 to 31/12/07 '000 USD
Revenue	5	78,088
Cost of sales		(61,990)
Gross profit		16,098
Negative goodwill amortisation		349,762
Distribution expenses		(8,088)
Administrative expenses		(7,434)
Other expenses		(3,315)
Results from operating activities		347,023
Net foreign exchange gain		1,417
Interest expenses		(2,670)
Interest income		312
Profit before income tax		346,082
Income tax expense	9	(123,536)
Profit for the period		222,546

The accompanying notes are an integral part of these Financial Statements

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Consolidated financial statements for the period ended 31 December 2007

The Consolidated and The Company Balance Sheets

		Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
ASSETS	Note		
Non-current assets			
Property, plant and equipment	11	400,283	72
Intangible assets	12	76,527	-
Investments	14	-	120,096
Restricted cash	13	51	-
Total non-current assets		476,861	120,168
Current assets			
Inventories	15	42,775	-
Trade and other receivables	16	12,345	139
Prepayments for current assets and deferred expenses	17	5,280	14
Cash and cash equivalents	18	1,394	4
Total current assets		61,794	157
Total assets		538,655	120,325
LIABILITIES			
Non-current liabilities			
Provisions	19	2,649	-
Deferred Tax Liability	10	114,195	-
Total non-current liabilities		116,844	-
Current liabilities			
Bank overdrafts		6,596	-
Loans and other borrowings	20	163,834	141,000
Loans from group companies	20	-	211
Trade and other payables	21	23,712	475
Provisions	19	1,202	-
Income tax liabilities		210	-
Total current liabilities		195,554	141,686
Total liabilities		312,398	141,686
Total net assets		226,257	(21,361)

The accompanying notes are an integral part of these Financial Statements

Kazphosphate Plc
Consolidated financial statements for the period ended 31 December 2007

EQUITY

Shareholder's equity

Share capital	26	98	98
Other reserves		3,613	-
Retained earnings		222,546	(21,459)
Total shareholders' equity		226,257	(21,361)

The financial statements were approved by the Board of Directors on 24 June 2009 and were signed on its behalf by:

G. Yessenov.
Director



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Cash Flow Statements

	Group Period from 23/11/06 to 31/12/07 '000 USD	Company Period from 23/11/06 to 31/12/07 '000 USD
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) after taxation	222,546	(21,459)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	133	4
Amortisation of intangible assets	(359,587)	-
(Gain)/loss on disposal of property, plant and equipment	(1,428)	-
Impairment loss on property, plant and equipment	9,859	-
Interest expenses	2,670	-
Finance income	(1,059)	(1,059)
Net foreign exchange loss on loans and borrowings	(1,417)	-
Provision against loans	-	21,000
Income tax expense	2,442	-
Deferred Tax	121,094	
Operating profit/(loss) before changes in working capital and provisions	(4,747)	(1,514)
Decrease in inventories	9,669	-
Increase in trade and other receivables	(9,467)	669
Decrease in trade and other payables	(7,609)	475
Decrease in provisions	(3,219)	-
Net cash (used in) from operations before income taxes and interest paid	(15,373)	(370)
Income taxes paid	(2,237)	-
Interest paid	(3,371)	-
Net cash (used in) from operating activities	(20,981)	(370)

Kazphosphate Plc**Consolidated financial statements for the period ended 31 December 2007**

	Group Period from 23/11/06 to 31/12/07 '000 USD	Company Period from 23/11/06 to 31/12/07 '000 USD
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	4,156	-
Finance income	-	311
Acquisition of property, plant and equipment	(1,134)	(76)
Acquisition of fixed asset investments	(120,096)	(120,096)
Acquisition of intangible assets	(266)	-
Investments in restricted cash	(51)	
Interest received	311	
Net cash used in investing activities	(117,080)	(119,861)
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	187,784	141,211
Proceeds from share issue	24	24
Movement in non-current assets	25	
Loans granted	(21,000)	(21,000)
Repayments of loans and borrowings	(36,071)	-
Cash flows utilised by financing activities	130,762	120,235
 Net (decrease)/increase in cash and cash equivalents	(7,299)	4
Cash and cash equivalents at beginning of the year	2,148	-
 Cash and cash equivalents at end of the year	(5,151)	4

The accompanying notes are an integral part of these Financial Statements

Kazphosphate Plc**Consolidated financial statements for the period ended 31 December 2007****Consolidated Statement of Changes in Shareholders' Equity**

Group	Share Capital '000 USD	Foreign exchange movement '000 USD	Retained earnings '000 USD	Total '000 USD
Issue of share capital	98	-	-	98
Profit for the period	-	-	222,546	222,546
Other movements	-	3,613	-	3,613
Balance as at 31 December 2007	98	3,613	222,546	226,257

The accompanying notes are an integral part of these Financial Statements

Statement of changes in Shareholder's Equity

Company	'000 USD	'000 USD	'000 USD
Issue of share capital	98	-	98
Profit/(loss) for the period	-	(21,459)	(21,459)
Balance as at 31 December 2007	98	(21,459)	(21,361)

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Notes to the financial statements

1.0 General Information

Kazphosphate Plc is a company incorporated in England and Wales. The group financial statements consolidate those of the company and its subsidiaries (together referred to as a group). The parent company financial statements present information about the company as a separate entity and not about its group.

2.0 Summary of Significant Accounting Policies

2.1 Accounting convention and basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS). In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in S230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of these approved financial statements.

The financial statements are prepared on the historical cost basis except for property, plant and equipment; inventories and intangible assets that are stated at their fair values. All amounts have been rounded to the nearest US\$1,000 except as otherwise indicated.

The financial statements presented in this report are the first for this newly incorporated entity and as such do not have any comparative figures.

These consolidated financial statements are prepared in accordance with IFRS, International Accounting Standards (IAS) and related IFRIC interpretations in issue that have been endorsed by the European Commission and are effective at 31 December 2007.

2.2 New standards and interpretations

(i) Standards, amendments and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group or Company's financial instruments, or the disclosures relating to taxation and trade and other payables. The new disclosures are included primarily in notes.

(ii) Standards and interpretations early adopted by the Group and Company

No standards or interpretations were early adopted by the Group or the Company in the year

(iii) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group or Company's operations:

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- IFRS 4, 'Insurance contracts';
 - IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';
 - IFRIC 8, 'Scope of IFRS 2', equires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group or Company's financial statements. The company already applies an accounting policy which complies with the requirements of IFRIC 8;
 - IFRIC 9, 'Re-assessment of embedded derivatives'; and
 - IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group or Company's financial statements.
- (iv) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods, but the Group and Company have not early adopted them:

- IAS 27 (Revised) 'Consolidated and separate financial statements' requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. The Group will apply the revised standard from 1 January 2010 subject to endorsement by the European Union.
 - IFRS 3 (Revised) 'Business combinations' continues to apply the acquisition method to business combinations, with some significant changes. The Group will apply the revised standard from 1 January 2010 subject to endorsement by the European Union. There will be no effect on acquisitions prior to 1 January 2010 but the revised standard will apply for all acquisitions after that date.
 - Revised IAS 23 'Borrowing Costs' removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- (v) Interpretations to existing standards that are not yet effective and not relevant to the Group and Company's operations.

The following interpretations and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

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- IFRS 2 'Share-based payment' Amendment 'Vesting conditions and cancellations' clarifies that only service conditions and performance conditions are vesting conditions and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. IFRIC 2 is not relevant to the Group or the Company's operations because there are no share based payments.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRIC 8 is not relevant to the Group or the Company's operations because its shares are not publicly traded.
- Amendment to IAS 32 'Financial instruments: Presentation' and IAS 1 'Presentation of financial statements': Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009). The amendments to the standards are still subject to endorsement by the European Union. It is not expected that the amendment will be relevant to the Group.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance on whether sharebased transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. IFRIC 11 is not relevant to the Group or the Company's operations because there are no such transactions.
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group or Company's operations because none of the Group's companies provide services to the public sector.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group or Company's operations because none of the Group's companies operate any loyalty programmes.
- IFRIC 14, 'IAS 19 – The limit on a defined benefits asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Group or the Company's operations because none of the Group's companies participate in a defined benefit pension scheme.

2.3 Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the group. Control exists when then the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

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The cost of an acquisition is measured as the fair value of the assets plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra-group transactions, balances income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the group companies to ensure consistency.

2.4 Functional and presentation currency

The Group's predominant functional currency and the currency in which these financial statements are presented is the United States Dollar ("USD"). The USD has been used as the functional currency as management considers that the USD reflects the economic substance of the underlying events and circumstances relevant to the Group. The functional currency of the Dutch subsidiaries is Euro.

2.5 Foreign currency transactions

Transactions in foreign currencies are translated to USD at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to USD at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement. The exchange differences arising upon consolidation on retranslation from a functional currency other than USD are recognised in equity.

2.6 Use of judgments, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 11 – Property, plant and equipment;
- Note 16 – Trade and other receivables;
- Note 19 – Provisions;
- Note 25 – Contingencies

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.8 Property, plant and equipment***(i) Recognition and measurement***

Items of property, plant and equipment are measured at fair value less impairment losses based on periodic valuations by external independent valuers.

A revaluation increase in property, plant and equipment is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease in property, plant and equipment is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity. When a revalued asset is sold, the amount included in other reserves is transferred to retained earnings.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in other income or expense in the income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of computer equipment is recognised in Profit and Loss on a reducing balances basis. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and constructions 3 to 50 years;
- Machinery and equipment 7 to 10 years;
- Computer equipment 4 to 10 years;
- Vehicles 6 to 10 years;
- Other assets 8 to 14 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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(iv) Mine development costs

Mine development costs are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting phosphoric ore or incurred subsequently to the exploration and evaluation phase. Subsequent development expenditure refers to stripping expenditures, which are incurred to remove overburden and other mine materials to access mineral deposits. Mine development costs mainly consist of estimated site restoration costs. Mine development costs are capitalised and charged to the cost of production on a straight-line basis over the useful life of the respective licence.

2.9 Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives and include licenses and software, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are from 2 to 15 years.

2.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.11 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

(ii) Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash held on demand with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Cash set aside for a particular use or event is accounted for as Restricted Cash. Depending on the length of the restriction, the Restricted Cash may be shown as either current asset (less than 12 months) or non-current asset (more than 12 months)

2.13 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Kazakhstan's State pension fund, are recognised as an expense in profit or loss when they are due.

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A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the obligation.

Site restoration

In accordance with applicable legal requirements, a provision for restoring the Group's mines and dismantling associated infrastructure, and the related expense, is recognised as the mines are worked and as the infrastructure is built. The Group is not responsible for restoring mines and infrastructure in existence before the commencement of its licences.

2.15 Revenue***(i) Goods sold***

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

2.16 Other expenses***(i) Lease payments***

Assets leased under operating leases are not recorded in the Balance Sheet.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

2.17 Finance income and expenses

Financial income comprises foreign exchange gains and interest income on funds invested. Interest income is recognised as it accrues, using the effective yield on the asset.

Financial expenses comprise interest expense on borrowings, unwinding of discount on provisions, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs

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are recognised in profit or loss using the effective interest method. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses.

2.18 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.0 Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

Property, plant and equipment are measured at fair value, based on periodic valuations by external independent valuer (see Note 11).

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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During the year the Company acquired 100% of the shares in InterTherm BV and EnergoTherm BV from EnergoInterTherm Holding S.a r.l. and EnergoTherm Luxembourg S.a r.l. The consideration paid for the acquisition of shares was USD120,000 thousand together with the costs directly attributable to the acquisition of USD 96 thousand. Both InterTherm BV and EnergoTherm BV are non-trading companies, holding 100% of the shares in Kazphosphate LLC the mining company registered in the Republic of Kazakhstan. The total investment in Kazphosphate LLC by InterTherm BV was USD 1,050 thousand and by EnergoTherm BV USD 19,050 thousand.

The acquisition has been accounted for using the purchase method of accounting. The amount of negative goodwill arising as a result of the acquisition is USD 359,587 thousand. The negative goodwill was eliminated in full on acquisition in accordance with the basis of consolidation policy (note 2.3)

Although, the acquisition was completed on 19 June 2007, a consolidation date of 30 June 2007 was used for convenience purposes.

The profits after taxation of Kazphosphate LLC were as follows:

	Profit after tax '000 USD
Results prior to acquisition:	
1 January 2007 to 30 June 2007	12,455
Preceding financial year ended 31 December 2006	7,067

Net assets acquired at the date of acquisition and the resulting negative goodwill is summarised below:

	'\$000 USD Net Book values	'000 USD Fair values
Tangible assets	32,484	400,210
Intangible Assets	96	76,261
Inventories	43,678	52,444
Net Current liabilities	(24,072)	(28,232)
Net assets acquired	52,186	500,683
Cost of investment		141,096
Negative goodwill on acquisition		359,587

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The profit and loss includes the following amounts attributable to the acquired business:

	'000 USD
Turnover	78,088
Gross profit	16,098
Distribution Expenses	(8,088)
Administrative expenses	(6,748)
Other Operating Expenses	(3,315)
Operating loss	(1,884)
Net loss for the period	(4,785)

5.0 Revenue

The Group's business segments are based on its primary products as detailed below. Note that the Company had no revenue, cost of sales, other income or distribution expenses in the period. All such items for the Group are attributable to the Company's subsidiaries.

	Group Period from 23/11/06 to '000 USD
Yellow phosphorous	40,277
Sodium tripolyphosphate	14,360
Ammophos	11,503
Phosphorous raws	3,373
Services	2,095
Granulated slag	1,576
Thermal phosphoric acid	1,248
Ferrophosphorous	877
Sale of inventories	767
Superphosphate	198
Ammonia water	156
Oxygen	59
Other	1,599
	78,088

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6.0 Operating profit

	2007 '000 USD
Operating profit is stated after charging:	
Negative goodwill amortisation	359,587
Fair value impairment	(9,825)
Depreciation and amortisation	(133)
Impairment losses	(34)
Operating lease rentals	(288)
Disclosure of Auditors' remuneration	
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	(60)

7.0 Personnel costs

	Group Period from 23/11/06 to 31/12/07 '000 USD
Wages and salaries	9,955
Social tax	1,622
	11,577

The average number of employees for the period was 6,265.

Production	4,767
Distribution	179
Administrative	1,319
Total	6,265

Personnel cost of USD 2,438 thousand has been charged to administrative expenses and USD 330 thousand to distribution expenses. The remaining personnel costs have been charged to production expenses in the amount of USD 8,809 thousand.

Director's remuneration

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No directors' remuneration was paid during the period.

8.0 Net Finance Expense

	2007 '000 USD
Finance income:	
Interest receivable	312
	<hr/>
Finance costs:	
Interests payable	(2,670)
	<hr/>
Net finance expense	(2,358)
	<hr/>

9.0 Income tax expense

	Group Period from 23/11/06 to 31/12/07 '000 USD
	<hr/>
<i>Current tax expense</i>	
Current year	(2,442)
<i>Deferred tax expense</i>	
Origination and reversal of temporary differences	(121,094)
	<hr/>
	(123,536)
	<hr/>

The Group's applicable tax rate is the income tax rate of 30%.

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Reconciliation of effective tax rate:

	Group Period from 23/11/06 to 31/12/07 '000 USD	%
Profit before income tax	346,082	
Income tax at applicable tax rate	(103,825)	(30)
Non-deductible/non-taxable items	101,296	29
Tax exemption under investment contracts	89	-
Underprovided in prior years	(2)	-
Current tax charge	(2,442)	(1)

According to Kazphosphate LLC's subsoil use contracts, a branch of this company, GPK Karatau is required to pay excess profits tax on its profits from activities under subsoil use contracts if the contract's internal rate of return exceeds 20%. In 2007, the internal rate of return for the two subsoil use contracts (phosphorites and dolomites) did not exceed 20%.

During the year ended 31 December 2007 the following branches of Kazphosphate LLC; GPK Karatau, GPK Chulaktau and MU received 50% income tax relief with regard to their investment contracts.

The standard rate of UK Corporation Tax will reduce from 30% to 28%, effective from 1 April 2008.

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Deferred tax assets and liabilities are attributable to the following none of which are concerned with the Company, only the other subsidiaries in the Group:

	Assets	Liabilities	Net
'000 USD	2007	2007	2007
Property, plant and equipment	-	(89,878)	(89,878)
Intangible assets	-	(22,850)	(22,850)
Inventories	-	(4,100)	(4,100)
Trade and other receivables	1,410	-	1,410
Provisions	1,140	-	1,140
Other payables	83	-	83
Loans and borrowings	-	-	-
Net tax assets/(liabilities)	2,633	(116,828)	(114,195)

(ii) Movement in temporary differences during 2007

	At acquisition	Recognised in income	Group 31 December 2007
	'000 USD	'000 USD	'000 USD
Property, plant and equipment	4,232	(94,110)	(89,878)
Intangible assets	(6)	(22,844)	(22,850)
Inventories	1,583	(5,683)	(4,100)
Trade and other receivables	28	1382	1,410
Provisions	915	225	1,140
Other payables	124	(41)	83
Loans and borrowings	23	(23)	-
	6,899	(121,094)	(114,195)

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11.0 Property, plant and equipment

(a) Group

'000 USD	Land	Building and constructions	Machinery and equipment	Mine development cost	Vehicles	Other	Construction in progress	Total
<i>Cost/Valuation</i>								
Balance at acquisition	7,180	6,593	25,033	-	4,922	2,538	2,884	49,150
Additions	(1)	4	315	-	142	120	8,085	8,665
Disposals	-	(34)	(192)	-	(46)	(52)	(9)	(333)
Transfers	(2)	1,370	4,064	-	1,873	356	(7,661)	-
Fair value adjustment	55,869	222,818	76,562	1,803	5,561	-176	1,239	363,676
Balance at 31 December 2007	63,046	230,751	105,782	1,803	12,452	2,786	4,538	421,158
<i>Depreciation and impairment losses</i>								
Balance at acquisition	-	1,218	10,479	851	1,482	838	1,664	16,532
Depreciation charge	-	386	2,737	131	851	285	-	4,390
Impairment	-	-	-	-	-	-	34	34
Disposals	-	(20)	(102)	-	(41)	(52)	-	(215)
Fair value adjustment	-	-	134	-	-	-	-	134
Balance at 31 December 2007	-	1,584	13,248	982	2,292	1,071	1,698	20,875
<i>Net book value</i>								
At 31 December 2007	63,046	229,167	92,534	821	10,160	1,715	2,840	400,283

The above table represents the historic cost of the Group's property, plant and equipment adjusted for fair values. The valuation was carried out by Deloitte TCF LLP; a professional services firm based in Almaty, Republic of Kazakhstan as at 1 July 2007 and resulted in a material difference between historic cost and the fair values. Further the Directors have confirmed that the fair values have not moved materially from the date of acquisition to the balance sheet date.

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(b) Company

Company USD'000	Machinery and equipment
<i>Cost/Valuation</i>	
Additions	77
Balance at 31 December 2007	77
<i>Depreciation</i>	
Depreciation charge	5
Balance at 31 December 2007	5
<i>Net book value</i>	
At 31 December 2007	72

(i) Depreciation charge

The depreciation charge for property, plant and equipment directly related to production, which comprises the majority of depreciation, is included in cost of sales. The depreciation charge for other property, plant and equipment is included in administrative expenses and distribution expenses.

(ii) Property, plant and equipment

The above has been restated at fair value following work carried out by Deloitte (Kazakhstan).

(iii) Security

As at 31 December 2007 land, buildings, machinery and equipment in the collateral value of USD 63,789 thousand have been pledged to secure obligations under bank loan agreements (see Note 20).

(iv) Temporarily idle property, plant and equipment

As at 31 December 2007 the carrying amount of temporarily idle property, plant and equipment is USD 1,572 thousand. The Detergents Workshop, located in Shymkent has not commenced operations. The Chemical Plant located in Stepnogorsk ceased operations prior to acquisition.

Depreciation and other expenses related to temporarily idle property, plant and equipment, such as repairs, maintenance, salary of administrative and maintenance workers, are included in administrative expenses.

(v) Fully depreciated property, plant and equipment

As at 31 December 2007 the cost of fully depreciated property, plant and equipment still in use is USD 8,459 thousand

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12.0 Intangible Assets

	Software '000 USD	Other '000 USD	Mining rights '000 USD	Rent entitlements '000 USD	Total '000 USD
Cost:					
At acquisition	33	133	-	-	166
Additions	281	10	-	-	291
Disposals	(5)	-	-	-	(5)
Fair value adjustment	(2)	(25)	74,464	1,701	76,138
Balance at 31 December 2007	307	118	74,464	1,701	76,590
Accumulated amortisation:					
At acquisition	11	59	-	-	70
Depreciation charge	5	14	-	-	19
Disposals	(4)	-	-	-	(4)
Fair value adjustment	-	(22)	-	-	(22)
Balance at 31 December 2007	12	51	-	-	63
Net book value:					
At 31 December 2007	295	67	74,464	1,701	76,527

The above table represents the historic cost of the Group's identifiable intangible assets adjusted for fair values. The valuation was carried out by Deloitte TCF LLP as at 1 July 2007 and resulted in additional assets (Mining Rights and Rent Entitlements) recognised in the accounts. Software and Other Intangible Assets were not included in the valuation on the basis of immateriality. Further the Directors have confirmed that the fair values have not moved materially from the date of acquisition to the balance sheet date.

13.0 Restricted cash

Restricted cash comprises cash transferred to a special bank account for the mine site restoration plan and cannot be used for other purposes. The total amount of restricted cash as at 31 December 2007 was USD 51,000.

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14.0 Company Investments

	Company 31 December 2007
	'000 USD
Shares in subsidiary undertakings	
<i>Cost</i>	
Additions	120,096
Balance at 31 December 2007	120,096
<i>Net book value</i>	
At 31 December 2007	120,096

The Company's investments at the balance sheet date in the share capital of companies are as follows:

InterTherm B.V

Country of incorporation: Netherlands

Nature of business: Holding company

	% Holding
Class of share: Ordinary	100.00

EnergoTherm B.V

Country of incorporation: Netherlands

Nature of business: Holding company

	% Holding
Class of share: Ordinary	100.00

Kazphosphate LLC

Country of incorporation: Republic of Kazakhstan

Nature of business: Extraction and processing of phosphoric ore and production of mineral fertilizers

	% Holding
Class of share: Ordinary	100.00

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The Company has no inventories.

	Group
	31 December
	2007
	'000 USD
Raw materials and consumables	23,098
Finished goods and goods for resale	17,258
Work in progress	6,921
	47,277
Provision for obsolescence	(4,502)
	42,775

The cost of inventories recognised as an expense in the year and included in costs of sales in the income statement amounted to USD 59,212 thousand

Analysis of movements in the allowance for obsolescence:

	Group
	31 December
	2007
	'000 USD
Balance at the date of acquisition	(5,276)
Provision made during the year	(990)
Amounts written off during the year	1,764
Balance at the end of the year	(4,502)

Security

Finished goods of USD 11,250 thousand are pledged to secure obligations under bank loan agreements (Note 20).

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16.0 Trade and other receivables

	Group	Company
	31 December	31 December
	2007	2007
	'000 USD	'000 USD
Trade receivables**	5,175	-
Taxes receivable – value-added tax	6,660	36
Other receivables	529	103
Receivable from employees	24	-
	12,388	139
Cumulative impairment loss on trade and other receivables	(43)	-
	12,345	139

** Include trade receivables from former related parties in the amount of USD 2,690 thousand at 31 December 2007.

As at 31 December 2007, trade receivables of \$5,175 thousand were fully performing. No financial assets were renegotiated at the year end.

Trade receivables are considered on case by case basis for possible impairment with in reference to historical information. As at 31 December 2007 no trade receivables were impaired.

The Group's exposure to credit and impairment losses related to trade and other receivables are discussed in Note 22.

17.0 Prepayments for current assets and deferred expenses

	Group	Company
	31 December	31 December
	2007	2007
	'000 USD	'000 USD
Prepayments for current assets	4,499	14
Deferred expenses	992	-
	5,491	14
Cumulative impairment loss on prepayments	(211)	-
	5,280	14

The Group's exposure to credit and impairment losses that related to prepayments are discussed in Note 22.

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18.0 Cash and cash equivalents

	Group	Company
	31 December	31 December
	2007	2007
	'000 USD	'000 USD
Restricted Cash	51	-
Cash in bank	1,368	4
Petty cash	26	-
Cash and cash equivalents in the balance sheet	1,445	4
Bank overdraft used for cash management purposes	(6,596)	-
Cash and cash equivalents in the statement of cash flows	(5,151)	4

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

19.0 Provisions

The Company has no provisions.

'000 USD	Vacation	Site restoration	Group Total
At acquisition	1,075	2,375	3,450
Provisions raised during the year	1,072	-	1,072
Unwinding of discount	-	274	274
Provisions used during the year	(945)	-	(945)
Balance at 31 December 2007	1,202	2,649	3,851
<i>Non-current</i>	-	2,649	2,649
<i>Current</i>	1,202	-	1,202
	1,202	2,649	3,851

Provisions for site restoration costs

Kazphosphate LLC's obligation to restore its mining sites is stipulated in the subsurface agreements between this company and the Government of Kazakhstan. These agreements require Kazphosphate LLC to make payments into a state-administered liquidation fund based on a percentage of this company's operating expenses.

In 2008 the Kazphosphate LLC commissioned an independent third party to estimate future site restoration costs as at 31 December 2007 in respect of mine development and infrastructure built subsequent to commencement of the licences. This company is not responsible for the cost of restoring mines and decommissioning infrastructure in existence at the commencement of a licence. The majority of expenditures are expected to occur in 2015, which is at the end of the licence period. Independent experts have estimated total future decommissioning and reclamation costs to be USD 4,716 thousand. Future expected cash outflows for site restoration activities have been discounted at a rate of 14%. Unwinding of the discount is recognised in the income statement.

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In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of costs that will be incurred in performing site restoration activities as well as concerning the timing of site restoration should licences for mining activities be prolonged.

20.0 Loans and borrowings

This note provides information about the contractual terms of the Group and Company's borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 22.

	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Loans and borrowings	163,397	141,000
Interest payable	437	-
Secured loans and borrowings	163,834	141,000

Terms and debt repayment schedule:

Group	Face value '000 USD	Carrying amount '000 USD	Maturity less than 1 year '000 USD
USD at Nil% interest p.a.	141,000	141,000	141,000
USD-fixed at 16% interest p.a.	21,158	21,158	21,158
EUR-fixed at 8.575% interest p.a.	461	461	461
EUR-fixed at 11.52% interest p.a.	778	778	778
Loans and borrowings as at 31 December 2007	163,397	163,397	163,397
Company			
USD at Nil% interest p.a.	141,211	141,211	141,211
Loans and borrowings as at 31 December 2007	141,211	141,211	141,211

Bank loans and borrowings are secured by:

Group

- land, buildings, machinery and equipment at collateral value of USD 63,789 thousand - Note 11;
- inventories with a carrying amount of USD 11,250 thousand – Note 15.

The loan in the amount of USD 21,158 thousand was repaid in February 2008.

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21.0 Trade and other payables

	Group 31 December 2007	Company 31 December 2007
	'000 USD	'000 USD
Prepayments received	10,352	-
Trade payables	10,406	200
Salaries payable	1,546	-
Taxes payable – other	899	4
Compulsory pension contributions	180	-
Other payables and accrued expenses	329	271
	23,712	475

The Company's exposure to currency and liquidity risk related to trade and other payables in disclosed in Note 22.

22.0 Financial instruments and financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's financial instruments comprise borrowings, accounts receivable and payable, and cash. The Group's accounting policies with regard to financial instruments are detailed in Note 2.7. The Group does not speculate in financial instruments and does not use derivative instruments to hedge risk exposures.

Exposure to credit, liquidity and market risks arises in the normal course of the Company's business.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's receivables from customers, prepayments for current assets and value-added tax ("VAT") receivable from the UK and Kazakh tax authorities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, but, increasingly, the Group is requiring customers to transact with it on a prepayment basis.

The majority of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a wholesale or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group does not require collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

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The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Trade account receivables (including from former related parties)	5,175	-
VAT receivable	6,660	36
Prepayments for current assets	4,499	14
Cash and cash equivalents	1,394	-
Other trade receivables	529	103
Restricted cash	51	-
	18,308	153

The maximum exposure to credit risk for trade account receivables at the reporting date by geographic region was:

	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Domestic	210	-
CIS countries	1,946	-
European Union	2,480	-
China	539	-
Others	-	-
	5,175	-

At the balance sheet date there was a significant concentration of credit risk in respect of amounts receivable from the following counterparties:

	Group December 2007 '000 USD	Percentage of trade and other receivables
Thermphos Trading GmbH	2,690	21.8%

At present, a significant part of the Group's revenue is attributable to sales transactions with a single customer (Thermphos Trading GmbH), being a former related party of the Group. The Group has not yet experienced any losses with this customer.

Credit risk relating to the Group's other financial assets, such as cash, arise from the potential default of counterparties. Management regularly monitors the financial strength of counterparties through its knowledge of local market conditions.

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Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred or expected losses in respect of trade and other receivables. The main components of this allowance are specific loss components that relate to individual receivable balance. Outstanding receivables, that are overdue more than 3 years, are written off against bad debt allowance. At the acquisition date (19 June 2007) the total provision amounted to USD 10,037 thousand. However, at the year end loans receivable from Aktal Ltd LLC and other receivables were written off in total amount of USD 6,377 thousand in 2007. For the same reason prepayments to Aktal Ltd LLC were written off in the total amount of USD 3,660 thousand.

Amounts due from the Government of the Republic Kazakhstan are represented by VAT receivable. No impairment loss has been recognised with respect to VAT receivables. The Group makes timely submissions of VAT refund applications and believes that the VAT will be recovered.

The aging of trade and other receivables at the reporting date was prepared on the basis of their dates of invoices:

	Group Gross 2007	Group allowance for impairment 2007	Company Gross 2007	Company allowance for impairment 2007
'000 USD				
Not past due	5,621	-	-	-
Past due 90-180 days	6,736	13	-	-
Past due 180-360 days	7	6	-	-
More than one year	24	24	139	-
Trade and other receivables	12,388	43	139	-

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group 2007 '000 USD	Company 2007 '000 USD
Balance at the date of acquisition	(6,489)	-
Impairment loss recognised	(166)	-
Reversal of impairment loss	24	-
Amounts written off during the period	6,588	-
Balance at the end of the year	(43)	-

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the

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potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

	2007
	'000 USD
Bank Turan Alem	23,000
Delta Bank	7,190
Bank CenterCredit	6,000
Alliance Bank	3,209
	39,399

The following are the contractual maturities of financial liabilities, including interest payments:

'000 USD	Carrying amount	Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:						
Loans and borrowings	163,397	164,675	164,675	-	-	-
Bank overdrafts	6,596	6,596	6,596	-	-	-
Trade and other payables	23,712	23,712	23,712	-	-	-
31 December 2007	193,705	194,983	194,983	-	-	-

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The Group only had fixed rate financial liabilities as at 31 December 2007.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates as the reporting date would not affect profit or loss.

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The Group is exposed to currency risk in relation to sales, purchases and borrowings in currency other than its respective functional currency (USD). The currency giving rise to this risk is primarily the Kazakhstan Tenge. Management does not hedge the Group's exposure to foreign currency risk. However, interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

In respect to other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's exposure to foreign currency risk was as follows:

'000 USD	Kazakhstan Tenge	
	Group 2007	Company 2007
Trade and other receivables	12,343	-
Cash and cash equivalents	159	-
Trade and other payables	(15,593)	-
Income tax payable	-	-
Bank overdrafts	(6,596)	-
Net balance sheet exposure	(9,687)	-

Sensitivity analysis

A 5% weakening of the USD against the Tenge as at 31 December 2007 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity '000 USD	Profit or loss '000 USD
31 December 2007		
KZT	49,575	1,847

A 5% strengthening of the USD against Tenge as at 31 December 2007 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

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The following significant exchange rates applied during the year:	Average rate	Reporting date spot rate
	<u>2007</u>	<u>2007</u>
1,000 Tenge	8.16	8.31
1 Euro	1.37034	1.47190
1 British pound	<u>2.01495</u>	<u>1.99730</u>

(c) Other market risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements, such contracts are not settled net.

(iv) Fair values

Management believes that the fair values of its financial assets and liabilities approximate their carrying amounts. In assessing fair values, management used the following major methods and assumptions:

Loans and borrowings (including bank overdraft). Expected future principal and interest cash flows were discounted at rates of between 8.5% and 25%, depending on the currency of the loan principal. These rates were not materially different from the contractual interest rates.

Trade and other receivables and payables. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

Provisions. For provisions which meet the definition of financial liabilities the fair value is not materially different from the carrying amount because the provision is measured at the present value of the estimated future cash flows.

(v) Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital and seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

23.0 Operating leases

The Group leases offices and vehicles under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease after that date.

During the current year USD 288 thousand was recognised as an expense in the income statement in respect of operating leases.

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The following operating lease payments are committed to be paid within one year:

Expiring in:	'000 USD
Less 1 year	24
2 – 5 years	184
Total	<hr/> 208

24.0 Commitments***(i) Capital commitments***

The Group and the 'Agency on the Investments of the Republic of Kazakhstan' concluded four investment contracts, each of which requires capital investments to be made. Management believes that the Group complies with the requirements of the investment contracts. There are no contracts where the required cumulative capital expenditures have not been made as at the end of the reporting period.

There are six subsoil usage contracts concluded with the Government of the Republic of Kazakhstan. According to the terms of these contracts, the Group is required to make certain capital expenditures. Management believes that the Group complies with the requirements of the subsoil usage contracts. There are no contracts where the required cumulative capital expenditures have not been made as at the end of the reporting period.

(ii) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities; however, management expects that the Group will continue to fund these social programs through the foreseeable future. These costs are expensed as they are incurred.

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25.0 Contingencies

(i) Insurance

The insurance industry in the Republic of Kazakhstan, in which the Group's main subsidiary is situated, is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. There are few mandatory types of insurance required by the legislation of the Republic of Kazakhstan and provided by local insurance companies.

In 2005 the government of Kazakhstan introduced employer's insurance against employees' injuries during the performance of their job causing disability or death. The Group has also full insurance coverage for its plant facilities excluding vehicles, arising from accidents on the Group's property. Apart from such insurances, the Group does not have full insurance coverage for business interruption and third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations.

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(ii) Litigation

The Group's main trading subsidiary, Kazphosphate LLC is proceeding with litigation against Alliance Polis to return an insurance premium amounting USD 2,203 thousand for the years 2007 and 2006. The lawsuit against the insurance company was filed on 2 September 2007 to invalidate the Agreement of Voluntary Insurance of Property dated 1 November 2006. Based on the Decision of the Almaty Specialised Inter-district Economic Court dated 5 December 2007, the Company's claims were satisfied in full and the Agreement on Voluntary Insurance of Property dated 1 November 2006 was proclaimed invalid. Alliance Polis filed an appeal on 21 December 2007, which was dismissed on 30 January 2008.

However, regardless of the court decision, post year end both parties entered into a separate agreement where Kazphosphate LLC confirms that the insurance services were in fact received from Alliance Polis for the period from 1 November 2006 to 2 August 2007 and recognised a liability of USD 1,500 thousand. Therefore the contingent asset of USD 2,203 thousand has been reduced in the consolidated accounts by USD 1,500 thousand. The remaining balance is to be used against further agreements for post year end insurance cover, which the parties have now entered into.

(iii) Taxation contingencies

The taxation system in Kazakhstan where the Group's main trading subsidiary carries on its business is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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(iv) Work program compliance

In Kazakhstan all subsoil reserves belong to the State, with the Ministry of Energy and Mineral Resources granting exploration and production rights to third parties. Subsoil rights are not granted in perpetuity and any renewal must be agreed before the expiration of the relevant contract or license. These rights may be terminated by the Ministry if the Group does not satisfy its contractual liabilities.

According to the annual work program approved by the Ministry of Energy and Mineral Resources, the Group extracted a total of 866,000 tons of phosphoric ore at Koksau and Sholaktau minefields in 2007 whereas it should have extracted 1,327,000 tons. The Group under-fulfilled requirements due to shortages of sulfuric acid in Kazakhstan, shortages of caustic soda needed for production of mineral fertilisers and the yellow phosphorous cisterns derailment in the Ukraine. The Ministry of Energy of the Republic of Kazakhstan allowed the decrease of extraction amounts from 1,379,000 tons to 866,000 tons as a consequence.

(v) Railroad accident

In July 2007 freight train carrying yellow phosphorus sold by Kazphosphate LLC derailed and caught fire in western Ukraine. The resultant smoke allegedly caused harm to the environment, as well as to the property and individuals located in the area. The carrier of the cargo was the Ukrainian Railway Administration, whereas the cisterns in which the yellow phosphorous was transported were owned by Kazphosphate LLC.

The recipient of the cargo, Thermphos Trading GmbH, a former related party, denied any responsibility for the incident. It maintained that the tanks with phosphorous should be sent back to the company which had prepared the cargo for transportation. Newspaper reports allege that the phosphorous was not properly prepared for transportation and specifically that the level of water was lower than required. In the aftermath of the accident, Ukraine imposed a temporary ban on the transportation of yellow phosphorous through its territory. An independent expert committee was set up by the Ukrainian authorities to investigate the train crash. It concluded that the protective water level had been 31 cm instead of the 50 cm required for the transportation of phosphorus during the summer months. Kazphosphate LLC has disputed the findings of the committee.

Kazphosphate LLC commissioned an independent review and analysis of the incident by a law firm. The review concludes that primary liability for any harm caused by the accident should rest with the Ukrainian Railway Administration. The Group may only be subject to liability if it is determined by a court that the company negligently committed an act or omission which was the cause of the accident. No such determination has been made, no cause of the accident has been established and no such court proceedings have been commenced in Ukraine or abroad. Furthermore, the Group should be protected from any liability in connection with the accident under the terms of the Yellow Phosphorous Sale and Purchase Agreement ("Purchase Agreement") dated 24 September 2003, which provides that all liability for harm caused by the transport of phosphorus has been assumed by the buyer.

Management has not provided any amounts in respect of such obligations in the financial statements as it believes it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

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Number:	Class:	Nominal value:	£
100,000,000	Ordinary shares	£1	100,000,000

Allotted and issued:

Number:	Class:	Nominal value:	\$
50,000	Ordinary shares	£1	98,392

50,000 Ordinary shares of £1 each were allotted and issued at par during the period.

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27.0 Related Party Transactions

Group and Company

(i) Control relationships

The Group's ultimate controlling parties are the trustees of the Balliana Family Trust.

(ii) Transactions with management and close family members

Key management received the following remuneration during the year, which is included in personnel costs:

	Group 2007 '000 USD	Company 2007 '000 USD
Remuneration to new management starting from July 2007	152	-
	152	-

(iii) Transactions with other related parties

Group

JSC Sumbe and JSC Delta Bank are the Group's related parties due to common ownership. Kazphosphate LLC has contractual agreements with these entities regarding the rent of office accommodations and vehicles and the provision of bank overdrafts.

Transactions with other related parties are detailed below:

	Transaction value 2007 '000 USD	Outstanding balance 2007 '000 USD
<i>Expenses</i>		
Purchases of goods:		
JSC Sumbe	389	68
<i>Loans</i>		
JSC Delta Bank	7,178	6,869

Company

As at 31 December 2007, the Company owed USD 211,315 to Kazphosphate LLC, a wholly owned subsidiary in respect of financial aid provided to the Company.

(iv) Pricing policies

Transactions with former related parties within Kazphosphate LLC were not always based on market prices.

28.0 Events subsequent to the balance sheet date

Subsequent to the balance sheet date, Kazphosphate LLC negotiated a loan agreement with the Development Bank of Kazakhstan. Under the terms of the agreement signed in March 2008, a credit line of US\$50,000 thousand is available with an interest rate of 13% per annum for a duration of 18 months after the initial drawing. The loan comprises several tranches. The entire amount was drawn down by 29 May 2008. Loan proceeds can only be used in connection with export activities.