accounts

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AMENDING

Kazphosphate Plc

Consolidated Financial Statements

For the year ended 31 December 2008

Company registration number 06007551

Contents of the Financial Statements

Kazphosphate Plc
Consolidated financial statements for the year ended 31 December 2008

Company Information

DIRECTORS	D Abdykalykova 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
AUDITOR	MacIntyre Hudson LLP Chartered Accountants and Registered Auditors New Bridge Street House, 30-34 New Bridge Street, London EC4V 6BJ

Report of the Directors for the year ended 31 December 2008

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2008

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 1 January 2008 to the date of this report are as follows

D Abdykalykova - appointed 5 February 2008

Y Baimakhanov - resigned 5 February 2008

D Mamytov - resigned 10 March 2010

G Yessenov

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for the year and the financial position at the year 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 130% to US$377M In addition, the gross profit margin also increased from 23 8% to 43% This entity has made a major contribution to the Group's results

The directors expect the Group's results to deteriorate significantly in the near future due to the loss of its largest customer Further, as a result of deteriorating market conditions trade receivables and inventory balances have increased comparing with the previous year This has had a negative impact on the Group's liquidity position

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 to 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 2008 the amount of trade creditors shown in the Group balance sheet represented 66 days (2007 135days) of average purchases

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

During the period of engagement Haines Watts Central London LLP has merged with MacIntyre Hudson LLP who 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 ~~April~~ 2010
5 May

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 2008 on pages 7 to 50 which comprise the consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Consolidated and Company 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 3

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

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 2008 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 2008 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

MacIntyre Hudson LLP

MacIntyre Hudson LLP
Chartered Accountants and Registered Auditors
New Bridge Street House.
30-34 New Bridge Street.
London
EC4V 6BJ

Date 13 May 2010

Consolidated Income Statement

	Note	Year ended 31/12/2008 '000 USD	Restated * Period from 23/11/06 to 31/12/07 '000 USD
Revenue	5	**378,424**	**78,088**
Cost of sales		(232,558)	(62,143)
Gross profit		**145,866**	**15,945**
Other income		730	-
Negative goodwill amortisation		-	349,762
Distribution expenses		(33,469)	(8,088)
Administrative expenses		(27,411)	(7,434)
Other expenses		(616)	(3,315)
Results from operating activities		**85,100**	**346,870**
Net foreign exchange gain/(loss)		(919)	1,417
Interest expenses		(7,791)	(2,670)
Interest income		362	312
Profit before income tax		**76,752**	**345,929**
Tax expense	9	35,746	(123,086)
Profit for the period		**112,498**	**222,843**

The accompanying notes are an integral part of these Financial Statements

* - see prior year adjustment – note 29

Kazphosphate Plc
Consolidated financial statements for the year ended 31 December 2008

The Consolidated and The Company Balance Sheets

ASSETS	Note	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Restated* Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Non-current assets					
Property, plant and equipment	11	400,489	56	400,283	72
Intangible assets	12	71,551	-	76,527	-
Advances paid		5,630	-	-	-
Investments	14	-	120,096	-	120,096
Reclamation trust fund	13,18	64	-	51	-
Total non-current assets		**477,734**	**120,152**	**476,861**	**120,168**
Current assets					
Inventories	15	84,824	-	42,775	-
Trade and other receivables	16	38,852	92	13,845	139
Prepayments for current assets and deferred expenses	17	7,794	39	3,780	14
Loan receivable		6,665	-	-	-
Income tax prepayment		738	-	-	-
Restricted bank deposit	18	9,194	-	-	-
Cash and cash equivalents	18	302	89	1,394	4
Total current assets		**148,369**	**220**	**61,794**	**157**
Total assets		**626,103**	**120,372**	**538,655**	**120,325**
LIABILITIES					
Non-current liabilities					
Provisions	19	3,000	-	2,649	-
Employee benefits		191	-	-	-
Deferred Tax Liability	10	51,975	-	113,745	
Total non-current liabilities		**55,166**	**-**	**116,394**	**-**
Current liabilities					
Bank overdrafts		-	-	6,596	-
Loans and other borrowings	20	192,653	141,000	163,834	141,000
Loans from group companies	20	-	-	-	211
Trade and other payables	21	38,692	7	25,067	475
Accruals Provisions		257	235	-	-
Income tax liabilities		248	243	210	-
Employee benefits		30	-	-	-
Total current liabilities		**231,880**	**141,485**	**195,707**	**141,686**
Total liabilities		**287,046**	**141,485**	**312,101**	**141,686**
Total net assets		**339,057**	**(21,113)**	**226,554**	**(21,361)**

The accompanying notes are an integral part of these Financial Statements

* - see prior year adjustment – note 29

Kazphosphate Plc
Consolidated financial statements for the year ended 31 December 2008

The Consolidated and The Company Balance Sheets

		Group 31 December 2008	Company 31 December 2008	Restated* Group 31 December 2007	Company 31 December 2007
EQUITY					
Shareholder's equity					
Share capital	26	98	98	98	98
Other reserves		3,618	-	3,613	-
Retained earnings		335,341	(21,211)	222,843	(21,459)
Total shareholders' equity		**339,057**	**(21,113)**	**226,554**	**(21,361)**

* - see prior year adjustment – note 29

The financial statements were approved by the Board of Directors on J May ~~April~~ 2010 and were signed on its behalf by

G Yessenov
Director

Registered number 06007551 (England and Wales)

Kazphosphate Plc
Consolidated financial statements for the year ended 31 December 2008

Cash Flow Statements

	Group Year ended 31/12/08 '000 USD	Company Year ended 31/12/08 '000 USD	Restated * 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	112,498	248	222,843	(21,459)
Adjustments for				
Depreciation of property, plant and equipment	24,709	16	133	4
Amortisation of intangible assets	5,226	-	(359,587)	-
(Gain)/loss on disposal of property, plant and equipment	(153)	-	(1,428)	-
Impairment loss on property, plant and equipment	335	-	9,859	-
Interest expenses	7,788	3	2,670	-
Finance income	(362)	-	(1,059)	(1,059)
Net foreign exchange loss on loans and borrowings	(541)	-	(1,417)	-
Provision against loans	-	-	-	21,000
Income tax expense	26,024	233	2,442	-
Deferred Tax	(61,770)	-	120,644	-
Operating profit/(loss) before changes in working capital and provisions	**113,754**	**500**	**(4,900)**	**(1,514)**
Decrease in inventories	(42,049)	-	9,669	-
(Increase)/decrease in trade and other receivables	(24,934)	23	(9,467)	669
Increase/(Decrease) in trade and other payables	14,095	(224)	(7,456)	475
Decrease in prepayments for current assets and deferred expenses	(3,975)	-	-	-
Increase in provisions for employee benefits	221	-	-	-
Decrease in provisions	351	-	(3,219)	-
Net cash (used in) from operations before income taxes and interest paid	**57,463**	**299**	**(15,373)**	**(370)**
Income taxes paid	(26,733)	-	(2,237)	-
Interest paid	(7,510)	(3)	(3,371)	-
Net cash (used in) from operating activities	**23,220**	**296**	**(20,981)**	**(370)**

* - see prior year adjustment – note 29

Kazphosphate Plc
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Cash Flow Statements

CASH FLOWS FROM INVESTING ACTIVITIES	Group Year ended 31/12/08 '000 USD	Company Year ended 31/12/08 '000 USD	Restated* Group Period from 23/11/06 to 31/12/07 '000 USD	Company Period from 23/11/06 to 31/12/07 '000 USD
Proceeds from disposal of property, plant and equipment	450	-	4,156	-
Repayment of loan receivable	928	-	-	-
Finance income	-	-	-	311
Acquisition of property, plant and equipment	(31,178)	-	(1,134)	(76)
Acquisition of fixed asset investments	-	-	(120,096)	(120,096)
Acquisition of intangible assets	(250)	-	(266)	-
Loan	(7,411)	-	-	-
Investments in restricted cash	-	-	(51)	-
Interest received	362	-	311	-
Provision against interest	-	-	-	-
Net cash used in investing activities	**(37,099)**	**0**	**(117,080)**	**(119,861)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	116,383	-	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	(87,793)	(211)	(36,071)	-
Cash flows utilised by financing activities	**28,590**	**(211)**	**130,762**	**120,235**
Net (decrease)/increase in cash and cash equivalents	**14,711**	**85**	**(7,299)**	**4**
Cash and cash equivalents at beginning of the year	(5,151)	4	2,148	-
Cash and cash equivalents at end of the year	**9,560**	**89**	**(5,151)**	**4**

* - see prior year adjustment – note 29

The accompanying notes are an integral part of these Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

Group	Share Capital '000 USD	Foreign exchange movement '000 USD	Restated* Retained earnings '000 USD	Restated* Total '000 USD
Issue of share capital	98	-	-	98
Profit for the period	-	-	222,843	222,843
Other movements	-	3,613	-	3,613
Balance as at 31 December 2007	**98**	**3,613**	**222,843**	**226,554**
Profit for the period	-	-	112,498	112,498
Other movements	-	5	-	5
Balance as at 31 December 2008	**98**	**3,618**	**335,341**	**339,057**

Statement of changes in Shareholder's Equity

Company	Share Capital '000 USD	Retained earnings '000 USD	Total '000 USD
Issue of share capital	98	-	98
Loss for the period	-	(21,459)	(21,459)
Balance as at 31 December 2007	**98**	**(21,459)**	**(21,361)**
Profit for the period	-	248	248
Balance as at 31 December 2008	**98**	**(21,211)**	**(21,113)**

The accompanying notes are an integral part of these Financial Statements

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

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 2008

2.2 New standards and interpretations

(i) Standards, amendments and interpretations effective in 2008

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 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group or Company's operations

- 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', requires 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
- IFRIC 12, 'Service concession arrangements' 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' 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' 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

(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 2009 or later periods, but the Group and Company have not early adopted them

- Revised IAS 1 *Presentation of Financial Statements (2007)* which becomes mandatory for the Company's 2009 financial statements is expected to have a significant impact on the presentation of the financial statements The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity
- 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

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2009 The Company has not yet analysed the likely impact of the improvements on its financial position or performance

(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 2009 or later periods but are not relevant for the Group's operations

- 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

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

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

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 Group'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 the directors

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

(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

(iv) Mineral rights

Mineral rights are measured at fair value less accumulated amortisation and impairment losses based on periodic valuations by the directors

The cost of acquisition of mineral rights comprises the signature bonus, commercial discovery bonus, the cost of subsurface use rights and capitalised expenditures on social sphere financing and professional education

As part of the cost of acquisition of the mineral rights, the Group is committed to finance social sphere programmes which benefit the wider community in the region These costs will not benefit the Group directly but are compulsory under the acquisition terms These social costs are recognised as part of the cost of acquisition upon initial recognition with a corresponding liability recognised at the present value of future social costs during the period of exploration and production

As part of the cost of acquisition of mineral rights, the Group is committed to finance training programmes for the professional education of employees to become specialists, which will benefit the wider community in the region as well as the Group The education costs are recognised as part of the acquisition cost, with a corresponding liability equal to the present value of estimated payments for education during the period of exploration and production

Mineral rights are amortised to profit and loss using the units-of-production method based upon proved reserves commencing when phosphoric ore is first extracted

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

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 income statement

(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 income statement

(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

2.14 Provisions

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, and the amount of revenue can be measured reliably

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 income statement 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 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

Foreign currency gains and losses are reported on a net basis

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 an internal 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

4.0 Acquisition

In the prior 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)

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

	'$000 USD	'000 USD
	Net Book values	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

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

	2007 '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 year ended 31/12/08 '000 USD	Group Period from 23/11/06 to 31/12/07 '000 USD
Yellow phosphorous	173,751	40,277
Sodium tripolyphosphate	96,875	14,360
Ammophos	50,093	11,503
Phosphorous raws	20,345	3,373
Tricalcium phosphorate	12,833	-
Thermal phosphoric acid	8,832	1,248
Services	5,515	2,095
Granulated slag	5,362	1,576
Sale of consumables	1,843	767
Ferrophosphorous	469	877
Ammonia water	319	156
Oxygen	255	59
Superphosphate	2	198
Other	1,930	1,599
	378,424	**78,088**

An analysis of the Group's revenue by geographical market is given below

	Group 31 December 2008 '000 USD	Group 31 December 2007 '000 USD
European Union	240,810	46,720
CIS	107,848	22,103
Domestic	25,745	7,134
Asia	4,021	2,131
	378,424	**78,088**

6.0 Operating profit

	Group Year ended 31/12/2008 '000 USD	Group Period from 23/11/06 to 31/12/07 '000 USD
Operating profit is stated after (charging)/crediting:		
Negative goodwill amortisation	-	359,587
Fair value impairment	-	(9,825)
Depreciation and amortisation	(29,935)	(133)
Impairment losses	(335)	(34)
Operating lease rentals	(661)	(288)
Disclosure of Auditors' remuneration		
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	(56)	(60)

7.0 Personnel costs

	Group Year ended 31/12/08	Restated Group Period from 23/11/06 to 31/12/07
	'000 USD	'000 USD
Wages and salaries	27,681	17,874
Social tax	2,404	3,242
	2,905	2,021
	32,990	**23,137**

The average number of employees for the period was 6,901 (2007 6,265)

Production	5,251	4,767
Distribution	197	179
Administrative	1,453	1,319
Total	**6,901**	**6,265**

Personnel cost of USD 6,256 (2007 USD 4,860 thousand) has been charged to administrative expenses and USD 995 (2007 USD 660 thousand) to distribution expenses The remaining personnel costs have been charged to production expenses in the amount of USD 25,739 (2007 USD 17,617 thousand)

Director's remuneration

No directors' remuneration was paid during the period

8.0 Net Finance Expense

	Group Year ended 31/12/08 '000 USD	Group Period from 23/11/06 to 31/12/07 '000 USD
Finance income		
Interest receivable	362	312
Finance costs		
Interests payable	(7,791)	(2,670)
Net finance expense	**(7,429)**	**(2,358)**

9.0 Income tax expense

	Group Year ended 31/12/08 '000 USD	Restated* Group Period from 23/11/06 to 31/12/07 '000 USD
Current tax expense		
Current year	(26,024)	(2,442)
Deferred tax expense		
Origination and reversal of temporary differences	61,770	(121,094)
Prior period adjustment*	-	450
	35,746	**(123,086)**

* See prior period adjustments -Note 29

Reconciliation of effective tax rate:

	Group Year ended 31/12/08 '000 USD	%	Restated* Group Period from 23/11/06 to 31/12/07 '000 USD	%
Profit before income tax	**76,752**		**345,929**	
Income tax at applicable tax rate	(23,026)	(30)	(103,779)	(30)
Non-deductible/non-taxable items	(4,716)	5	101,250	29
Change in tax rate	(1,051)	(1)	-	-
Tax exemption under investment contracts	2,769	3	89	-
Underprovided in prior years	-	-	(2)	-
Current tax charge	**(26,024)**	**(23)**	**(2,442)**	**(1)**

According to Kazphosphate LLC's subsoil use contracts, branches of this company, GPK Karatau and GPK Chulaktau are 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 Group's applicable tax rate is the income tax rate of 30% for Kazakh companies (2007 30%) With effect from 1 January 2009, the income tax rate for Kazakhstan companies has been reduced to 20% in 2009, to 17 5% in 2010 and to 15% in 2011 These rates have been used in the calculation of deferred tax assets and liabilities depending on the future periods when the respective timing differences will be deductible or taxable

The standard rate of UK Corporation Tax has been reduced from 30% to 28%, effective from 1 April 2008.

10.0 Group deferred tax assets and liabilities

(i) Recognised deferred tax assets and liabilities

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

'000 USD	Asset		Liabilities		Net	
	2008	Restated* 2007	2008	Restated* 2007	2008	Restated* 2007
Property, plant and equipment		-	(44,512)	(89,878)	(44,512)	(89,878)
Intangible assets		-	(9,946)	(22,850)	(9,946)	(22,850)
Inventories	944	-	(1,104)	(4,100)	(160)	(4,100)
Trade and other receivables	1,608	1,860	-	-	1,608	1,860
Provisions	1,045	1,140	(120)	-	925	1,140
Other payables	110	83	-	-	110	83
Loans and borrowings	-	-	-	-	-	-
Net tax assets/(liabilities)	**3,707**	**3,083**	**(55,682)**	**(116,828)**	**(51,975)**	**(113,745)**

* See prior period adjustments -Note 29

(ii) Movement in temporary differences during 2008

	Group 31 December Restated* 2007 '000 USD	Recognised in income '000 USD	Group 31 December 2008 '000 USD
Property, plant and equipment	(89,878)	45,366	(44,512)
Intangible assets	(22,850)	12,904	(9,946)
Inventories	(4,100)	3,940	(160)
Trade and other receivables	1,860	(252)	1,608
Provisions	1,140	(215)	925
Other payables	83	27	110
	(113,745)	61,770	(51,975)

All temporary differences were recognised in income statement

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
Cost/Valuation								
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**
Balance at 1 January 2008	63,046	230,751	105,782	1,803	12,452	2,786	4,538	421,158
Additions	-	63	647	-	397	63	24,378	25,548
Disposals	-	(52)	(196)	-	(12)	(55)	(179)	(494)
Transfers	27	3,278	9,737	-	9,708	(1,340)	(21,410)	-
Balance at 31 December 2008	**63,073**	**234,040**	**115,970**	**1,803**	**22,545**	**1,454**	**7,327**	**446,212**
Depreciation and impairment losses								
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**
Balance at 1 January 2008	-	1,584	13,248	982	2,292	1,071	1,698	20,875
Depreciation charge	-	11,666	10,270	-	2,376	397	-	24,709
Impairment	-	-	-	-	6	-	330	336
Disposals	-	(24)	(128)	-	(8)	(37)	-	(197)
Transfers	-	648	1,321	-	(986)	(983)	-	-
Balance at 31 December 2008	**-**	**13,874**	**24,711**	**982**	**3,680**	**448**	**2,028**	**45,723**
Net book value								
At 31 December 2007	63,046	229,167	92,534	821	10,160	1,715	2,840	400,283
At 31 December 2008	63,073	220,166	91,259	821	18,865	1,006	5,299	400,489

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

(b) Company

Company

'000 USD	Machinery and equipment
Cost/Valuation	
Balance at acquisition	-
Additions	77
Balance at 31 December 2007	77
Balance at 1 January 2008	77
Balance at 31 December 2008	77
Depreciation	
Balance at acquisition	-
Depreciation charge	5
Balance at 31 December 2007	5
Balance at 1 January 2008	5
Depreciation charge	16
Balance at 31 December 2008	**21**
Net book value	
At 31 December 2007	72
At 31 December 2008	56

(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 2008 land, buildings, machinery and equipment with a carrying amount of USD 7,772 thousand have been pledged to secure obligations under bank loan agreements (see note 20) The collateral value of property, plant and equipment pledged to secure obligations as at 31 December 2007 was USD 63,789 thousand

12.0 Intangible Assets

	Software	Other	Mining rights	Rent entitlements	Total
	'000 USD	'000 USD	'000 USD	'000 USD	'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**
Balance at 1 January 2008	307	118	74,464	1,701	76,590
Additions	220	30	-	-	250
Disposals	-	-	-	-	0
Fair value adjustment	-	-	-	-	0
Balance at 31 December 2008	**527**	**148**	**74,464**	**1,701**	**76,840**
Accumulated amortisation.					
At acquisition	11	59	-	-	70
Amortisation charge	5	14	-	-	19
Disposals	(4)	-	-	-	(4)
Fair value adjustment	0	(22)	-	-	(22)
Balance at 31 December 2007	**12**	**51**	**0**	**0**	**63**
Balance at 1 January 2008	12	51	0	0	63
Amortisation charge	59	33	4,964	170	5,226
Disposals	-	-	-	-	0
Fair value adjustment	-		-	-	0
Balance at 31 December 2008	**71**	**84**	**4,964**	**170**	**5,289**
Net book value:					
At 31 December 2007	**295**	**67**	**74,464**	**1,701**	**76,527**
At 31 December 2008	**456**	**64**	**69,500**	**1,531**	**71,551**

The above table represents the historic cost of the Group's identifiable intangible assets adjusted for fair values and amortised over the period of 15 years 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

13.0 Reclamation trust fund

In accordance with the subsurface use contracts, the Group is obliged to deposit cash in restricted special purpose bank accounts that have been classified as long-term deposits This deposit fund is formed for closure and reclamation costs which will be incurred when the mineral deposits are exhausted The total amount of restricted cash as at 31 December 2008 was USD 64 thousand (2007 USD 51 thousand)

14.0 Company Investments

Company '000 USD	Shares in subsidiary undertakings
Cost	
Balance at acquisition	-
Additions	120,096
Balance at 31 December 2007	**120,096**
Balance at 1 January 2008	120,096
Balance at 31 December 2008	**120,096**
Net book value	
At 31 December 2007	120,096
At 31 December 2008	**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

15.0 Inventories

The Company has no inventories

	Group 31 December 2008 '000 USD	Group 31 December 2007 '000 USD
Raw materials and consumables	39,496	23,098
Finished goods and goods for resale	40,732	17,258
Work in progress	9,336	6,921
	89,564	**47,277**
Provision for obsolescence	(4,740)	(4,502)
	84,824	**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 204,427 thousand (2007 USD 59,212 thousand)

Analysis of movements in the allowance for obsolescence

	Group 31 December 2008 '000 USD	Group 31 December 2007 '000 USD
Balance at the date of acquisition	(4,502)	(5,276)
Provision made during the year	(1,673)	(990)
Amounts written off during the year	1,435	1,764
Balance at the end of the year	**(4,740)**	**(4,502)**

Security

Finished goods of USD 47,228 thousand (2007 USD 11,250 thousand) are pledged to secure obligations under bank loan agreements (Note 20)

16.0 Trade and other receivables

	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Restated * Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Trade receivables	29,881	-	6,675	-
Taxes receivable – value-added tax	9,787	16	6,660	36
Other receivables	240	76	529	103
Receivable from employees	-	-	24	-
	39,908	**92**	**13,888**	**139**
Cumulative impairment loss on trade and other receivables	(1,056)	-	(43)	-
	38,852	**92**	**13,845**	**139**

In the opinion of the directors the balances showed above are included at their fair value

The Company's exposure to credit and currency risks and impairment losses related to trade receivables are discussed in Note 22

Due to the global economic downturn a number of the Group's customers have suffered financial difficulties Management has analysed the need for allowance for bad debts on a customer-by-customer basis Significant judgment was required to estimate the necessary impairment allowances

17.0 Prepayments for current assets and deferred expenses

	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Restated * Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Prepayments for current assets	6,794	39	2,999	14
Deferred expenses	1,058	-	992	-
	7,852	**39**	**3,991**	**14**
Cumulative impairment loss on prepayments	(58)	-	(211)	-
	7,794	**39**	**3,780**	**14**

* See prior period adjustments -Note 29

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

18.0 Cash and cash equivalents

(a) Cash and cash equivalents

	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Restricted Cash	64	-	51	-
Cash in bank	263	89	1,368	4
Petty cash	39	-	26	-
Cash and cash equivalents in the balance sheet	**366**	**89**	**1,445**	**4**
Bank overdraft used for cash management purposes	-	-	(6,596)	-
Cash and cash equivalents in the statement of cash flows	**366**	**89**	**(5,151)**	**4**

In the opinion of the directors the balances showed above are included at their fair value

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

(b) Restricted bank deposit

The bank deposit amounting to USD 9,194 thousand (2007: Nil) is not available for use by the Group as it has been pledged to Delta Bank JSC The funds will become unrestricted when the amount outstanding is repaid to Delta Bank JSC by a third party The interest rate on this deposit in 2008 was 10 3%

19.0 Provisions

The Company has no provisions

'000 USD	**Restated* Group Total**
At acquisition	**3,450**
Provisions raised during the year	1,072
Unwinding of discount	274
Provisions used during the year	(945)
Prior year adjustment *	(1,202)
Balance at 1 January 2008	**2,649**
Unwinding of discount	351
Balance at 1 December 2008	**3,000**
Non-current	3,000

* See prior period adjustments -Note 29

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

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

In accordance with the terms of the subsurface use contracts, Kazphosphate LLC transfers amounts to long-term bank deposit accounts to finance future site restoration activities As at 31 December 2008 the balance of the special deposit accounts was USD 64 thousand (2007 USD 51 thousand) See Note 13

Assumptions and critical judgments

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve The provision is the discounted present value of estimated costs to close, reclaim and decommission the mine sites at the end of the mine life Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives as well as discount rate used

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 2008 '000 USD	Company 31 December 2008 '000 USD	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Loans and borrowings	192,302	141,000	163,397	141,000
Loans from group companies	-	-	-	211
Interest payable	351	-	437	-
Secured loans and borrowings	**192,653**	**141,000**	**163,834**	**141,211**

Terms and debt repayment schedule as at 31 December 2008

Group	Currency	Nominal Interest rate	Year of Maturity	Face value '000 USD	Carrying amount '000 USD
Unsecured loan	USD	Nil	2009	141,000	141,000
Secured bank loan (HSBC Bank Kazakhstan)	USD	10%	2009	18,000	18,000
Secured bank loan (BTA Bank)	USD	13%	2009	33,302	33,302
Loans and borrowings as at 31 December 2008				**192,302**	**192,302**
Company					
Unsecured loan	USD	Nil	2009	141,000	141,000
Loans and borrowings as at 31 December 2008				**141,000**	**141,000**

Terms and debt repayment schedule as at 31 December 2007

Group	Currency	Nominal Interest rate	Year of Maturity	Face value '000 USD	Carrying amount '000 USD
Unsecured loan	USD	Nil	2008	141,000	141,000
Secured bank loan (Bank Centre Credit)	USD	16%	2008	21,158	21,158
Secured bank loan (Alliance Bank)	EUR	8 575%	2008	461	461
Secured bank loan (BTA Bank)	EUR	11 25%	2008	778	778
Loans and borrowings as at 31 December 2007				**163,397**	**163,397**
Company					
Unsecured loan	USD	Nil	2008	141,211	141,211
Loans and borrowings as at 31 December 2007				**141,211**	**141,211**

Bank loans and borrowings are secured by·

Group

- land, buildings, machinery and equipment at collateral value of USD 7,772 thousand - Note 11,
- inventories with a carrying amount of USD 47,228 thousand (2007 USD 11,250 thousand) – Note 15

21.0 Trade and other payables

	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Restated* Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
Trade payables	18,862	7	10,559	200
Prepayments received	12,649	-	10,352	-
Vacation and bonus pay accrual	3,022	-	1,202	-
Salaries payable	2,169	-	1,546	-
Taxes payable – other than on income	1,647	-	899	4
Compulsory pension contributions	266	-	180	-
Other payables and accrued expenses	77	-	329	271
	38,692	7	25,067	475

* See prior period adjustments -Note 29

In the opinion of the directors the balances showed above are included at their fair value

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 Supervisory Board has overall responsibility for the establishment and oversight of the Group's risk management framework Management is responsible for developing and monitoring the Group's risk management policies Management reports regularly to the Supervisory Board on its activities

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 Group's business

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or 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 Approximately 40% of the Group's revenue is attributable sales transactions with three main customers However, geographically there is no concentration of 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

The majority of the Group's customers have been transacting with the Group for over five years, and losses have occurred infrequently In monitoring customer credit risk, customers are grouped according to their credit characteristics, including 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 establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures

Exposure to credit risk

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

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

			Restated*	**Restated**
	Group 31 December 2008 '000 USD	**Company 31 December 2008 '000 USD**	**Group 31 December 2007 '000 USD**	**Company 31 December 2007 '000 USD**
Trade receivables (Note 16)	29,881	-	6,675	-
VAT Receivable (Note 16)	9,787	16	6,660	36
Prepayments for current assets (Note 17)	6,794	39	2,999	14
Restricted bank deposit – short term (Note 18b)	9,194	-	-	-

Loan receivable (Note 27)	6,665	-	-	-
Reclamation trust fund (Note 18)	64	-	51	-
Cash and cash equivalents (Note18)	302	89	1,394	4
Other Trade receivables (Note 16)	240	76	529	103
	62,927	**220**	**18,308**	**157**

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

	Group 31 December 2008 '000 USD	Company 31 December 2008 '000 USD	Group 31 December 2007 '000 USD	Company 31 December 2007 '000 USD
European Union	20,527	-	2,480	-
CIS countries	6,588	-	1,946	-
Domestic	1,709	-	210	-
China	1	-	539	-
	28,825	-	**5,175**	-

The Group's most significant customer accounts for USD 12,356 thousand of the trade receivables carrying amount at December 2008 (2007· USD 2,690 thousand)

Impairment losses

The aging of trade and other receivables at the reporting date were

Group' '000 USD	Gross 2008	Allowance for impairment 2008	Gross 2007	Allowance for impairment 2007
Not past due	25,897	-	5,621	-
Past due 90-180 days	2,873	-	6,736	(13)
Past due 180-360 days	1,029	(974)	7	(6)
More than one year	82	(82)	24	(24)
Trade and other receivables	**29,881**	**(1,056)**	**12,388**	**(43)**

Company' '000 USD	Gross 2008	Allowance for impairment 2008	Gross 2007	Allowance for impairment 2007
Not past due	16	-	-	-
Past due 90-180 days		-	-	-
Past due 180-360 days		-	-	-
More than one year	76	-	139	-
Trade and other receivables	**92**	-	**139**	-

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

'000 USD	Group 2008	Company 2008	Group 2007	Company 2007
Balance at 31 January	(43)	-	(6,489)	-
Impairment loss recognised	(1,013)	-	(166)	-
Reversal of impairment loss		-	24	-
Amounts written off during the period		-	6,588	-
Balance at the end of the year	**(1,056)**	**-**	**(43)**	**-**

Based upon historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days, 40% of the balance, which includes the amount owed by the Group's most significant customer, relates to customer that have a good track record with the Company.

Credit risk relating to the Group's other financial assets, such as cash and cash equivalents and loan receivable, arise from the potential default of counterparties Management regularly monitors the financial strength of counterparties through its knowledge of local market conditions and does not believe any counterparty will fail to meet its obligations

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly At 31 December 2008 the Group did not have any collective impairments on its trade receivables (2007 nil)

(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 60 days, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

2008

'000 USD	Carrying amount	Contractual cash flows	0-6 months	6-12 months
Non-derivative financial liabilities				
Secured bank loans (Note 20)	51,653	54,953	10,172	44,781
Trade and other payables (Note 21)	38,692	38,692	38,692	-
31 December 2008	**90,345**	**93,645**	**48,864**	**44,781**

2007 '000 USD	Restated* Carrying amount	Contractual cash flows	0-6 months	6-12 months
Non-derivative financial liabilities				
Secured bank loans (Note 20)	22,834	23,778	11,507	12,271
Bank overdrafts	6,596	6,596	6,596	-
Trade and other payables (Note 21)	25,067	25,067	25,067	-
31 December 2007	**54,497**	**40,464**	**28,193**	**12,271**

(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 2008 and 31 December 2007

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments were

	Carrying amount	
'000 USD	2008	Restated 2007
Fixed rate instruments		
Financial assets (Notes 13 and 18b)	9,258	51
Financial liabilities (Note 20)	(51,302)	(22,397)
	(42,044)	(22,346)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss and does not designate derivatives (interest rate swaps) 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.

(b) Foreign currency risk

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 KZT 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 only exposure to foreign currency risk was as follows

'000 USD	KZT-denominated		KZT-denominated	
	Group 2008	Company 2008	Group 2007	Company 2007
Reclamation trust fund	64	-	51	-
Restricted bank deposit	9,194	-	-	-
Loan receivable	6,665	-	-	-
Trade and other receivables	1,864	-	6,843	-
Cash and cash equivalents	163	-	159	-
Trade and other payables	(13,975)	-	(10,148)	-
Bank overdrafts	-	-	(6,596)	-
Net balance sheet exposure	**3,975**	**-**	**(9,691)**	**-**

The following significant exchange rates applied during the year·

The following significant exchange rates applied during the year	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
	2008	2008	2007	2007
1,000 KZT	8 31	8 28	8 16	8 31
1 Euro	1.47134	1.40974	1 37034	1 47190
1 British pound	1 83517	1.44792	2.01495	1 99730

Sensitivity analysis

A 30% strengthening of the USD against the KZT as at 31 December 2008 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	Profit or loss
31 December 2008	'000 USD	'000 USD
KZT	835	835
31 December 2007		
KZT	(2,035)	(2,035)

A 30% weakening of the USD against the KZT as at 31 December 2008 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant

(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 The basis for determining fair values is disclosed in Note 3.

(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 636 thousand (2007 USD 208 thousand) was recognised as an expense in the income statement in respect of operating leases

The following table shows the total lease commitments for the Group's operating leases, which expires as follow

Expiring in	2008 '000 USD	Restated* 2007 '000 USD
Less 1 year	590	-
2 – 5 years	-	798
Total	**508**	**798**

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

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) Taxation contingencies

(a) Taxation contingencies in Kazakhstan

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 ten 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 the Group, if the authorities were successful in enforcing their interpretations, could be significant

A new tax law took effect in Kazakhstan on 1 January 2009 which introduces substantial changes, including the reduction of the corporate income tax rate to 20% in 2009, 17 5% in 2010 and 15% in 2011. The Group has not yet evaluated the potential impact of the changes to its financial performance and position apart from deferred tax assets and liabilities which have been assessed by incorporating estimated tax rates from 20% to 17 5% and 15% depending upon the future periods when the respective timing differences will be deductible or taxable.

(b) Mineral Extraction Tax

The new tax law introduces a tax on extraction of mineral products, a "mineral extraction tax" ("MET") This new tax replaces previously existing royalty payments for subsoil use rights Mineral extraction tax applies to all subsoil users that produce minerals, including phosphate rock

26.0 Called Up Share capital

Authorised:

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

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 For the year ended 31/12/2008 '000 USD	Company For the year ended 31/12/2008 '000 USD	Group For period from 23/11/06-31/12/2007 '000 USD	Company For period from 23/11/06-31/12/2007 '000 USD
Remuneration to new management starting from July 2007	422	-	152	-
Contributions to pension fund	28	-	-	-
	450	-	**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

Expenses '000 USD	Transaction value 2008	Outstanding balance 2008	Transaction value 2007	Outstanding balance 2007
Purchases of goods				
JSC Sumbe (under common control)	124	-	389	68

(iii) Transactions with other related parties, continued

Loans	Amount loaned 2008 '000 USD	Amount loaned 2007 '000 USD	Outstanding balance 2008 '000 USD	Outstanding balance 2007 '000 USD
Loans				
Daryn LLC (under common control)	6,665	-	6,665	-
Kennon Finance Limited (under common control)	131,582	-	131,582	-
Drewes Management Limited ((under common control)	9,418	-	9,418	-

***Transactions with Delta Bank JSC** (under common control)*

'000 USD	Transaction value 2008 '000 USD	Transaction value 2007 '000 USD	Outstanding balance 2008 '000 USD	Outstanding balance 2007 '000 USD
Loans	15,927	7,178	-	6,869
Short-term deposit	8,901	-	8,901	-
Interest on short-term deposit	293	-	293	-
	25,121	7,178	9,194	6,869

Company

As at 31 December 2008 the company was owed USD54 thousand (2007. USD74 thousand) in relation to unpaid share capital During the year the company made payments on behalf of Balliana Capital Limited (immediate parent company) USD54 thousand (2007. Nil) and on behalf of Beronia Enterprises Corp (immediate parent company) USD16 thousand (2007 USD19 thousand) in respect of consultancy services Both balances were written off at the year end

(iv) Pricing policies

Related party transactions are not based on market prices

28.0 Events subsequent to the balance sheet date

(a) Tenge devaluation

Subsequent to the balance sheet date the KZT was devalued by approximately 23% to KZT 150 for USD 1 Management of the Group has not completed its analysis of the total effect on the Group's operations and financial position, however the sensitivity analysis provided in Note 22 (b) shows the effect of reasonably possible changes in currency exchange rates on the Group's financial assets and liabilities as of the reporting date

(b) Financial performance

Subsequent to the balance sheet date the Group's financial performance deteriorated significantly, which can be attributed to:

- The loss of its largest customer which accounted for 22% of revenue in 2008 (2007 48%) Based on actual sales generated in the first five months of 2009, anticipated sales for the year ending 31 December 2009 are expected to be 40% less than in 2008

- Deteriorating market conditions has resulted in a significant increase in the carrying amount of trade receivables and inventory and consequently the Group's liquidity position has deteriorated significantly

Management of the Group is in negotiations with Kazakh and international financial institutions regarding the provision of loan facilities and the restructuring of short-term debt Part of the short-term loans and borrowings has already been restructured as there have been two amendments to the loan agreement with Development Bank of Kazakhstan The Group has reached an agreement with the lender to extend its loan Under the new agreement signed in June 2009, the Group will repay the outstanding loan balance in two installments of USD 11,833,333 each on 6 September and 6 December 2009

(c) Contribution/Assignment Agreement

On the 9th April 2009, the parent Company Kazphosphate Plc repaid two loans on behalf of its Dutch subsidiaries Energo Therm B V and InterTherm B V for the amounts of USD 19,950,000 and USD 1,050,000 respectively. Pursuant to Dutch law these amounts will be treated as share premium in respect of the Company's investment in these subsidiaries

29.0 Prior period adjustments

As International Financial Reporting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires retrospective application for prior period errors, management has corrected the presentation of the income statement, balance sheet and statement of cash flows The impact of the adjustment for errors and the reclassification on the income statement, balance sheet and statement of cash flows as at and for the year ended 31 December 2007 is as follows

	As previously reported '000 USD	Effect of restatement '000 USD	As Restated '000 USD
Income statement for the year ended 31 December 2007			
Cost of sales (i)	(61,990)	(153)	(62,143)
Income tax expense	(123,536)	450	(123,086)
Profit for the year	222,546	297	222,843
Balance sheet as at 31 December 2007			
Deferred tax liability	(121,094)	450	(120,644)
Advances paid and deferred expenses (iii)	5,280	(1,500)	3,780
Trade receivables (iii)	12,345	1,500	13,845
Trade and other payables (i, ii)	23,711	1,356	25,067
Retained earnings	222,546	297	222,843
Current provisions (ii)	1,202	(1202)	-

(i) During the year ended 31 December 2007, the Group has failed to record USD 154 thousand of cistern maintenance expenses payable to Flex BV. During the current year the Group modified the classification of vacation pay accrual in the balance sheet

(ii) Comparatives were reclassified for consistency which resulted in USD 1,202 thousand being reclassified from short term provisions to other payables

(iii) Comparatives were reclassified for consistency which resulted in USD 1,500 thousand being reclassified from trade receivables to advances paid and deferred expenses