NUTRITEK GROUP

Consolidated Financial Statements for the year ended 31 March 2005

Contents

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AUDITORS REPORT TO THE SHAREHOLDERS OAO NUTRINVESTHOLDING

We have audited the accompanying consolidated pro-forma balance sheet of OAO Nutrinvestholding (the "Company") and its subsidiaries (the "Group") as at 31 March 2005 and the related consolidated pro-forma statements of income, changes in equity and cash flows for the year then ended. These consolidated pro-forma financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated pro-forma financial statements based on our audit.

The consolidated pro-forma financial statements have been prepared for the purpose of presenting the consolidated financial position, results of operations and cash flows of the Group as if the restructuring that was completed by 28 august 2005 had taken place before 31 March 2004. The restructuring and the basis of preparation are described in notes 22 and 23.

Except as described in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe the counting of inventories as at 31 March 2004 amounting to RUR 40 million for OAO Zelenodolskiy molochnyi Kombinat and OOO Molochnyi kombinat Penzenskiy, the Group subsidiaries, because we were engaged as auditors of the Group only after that date. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to cost of sales, taxation expense and net profit for the year ended 31 March 2005.

The Group has not presented corresponding figures as at and for the year ended 31 March 2004, which is required by International Financial Reporting Standard IAS 1 *Presentation of Financial Statements*.

In our opinion, except for the omission of corresponding figures as described in the preceding paragraph, and except for the effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence of inventory quantities as described above, the consolidated pro-forma financial statements present fairly, in all material respects, the pro-forma financial position of the Group as at 31 March 2005, and the results of its pro forma operations and its pro forma cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without further qualifying our opinion, we draw attention to the fact that the consolidated pro-forma financial statements are not necessarily indicative of the financial position and results of operations that would have been achieved as at and for the year ended 31 March 2005 had the restructuring described above taken place before 31 March 2004.

Moores Rowland

30 June 2006

NUTRITEK GROUP
Consolidated Pro-forma Income Statement for the year ended 31 March 2005

	Note	Year ended 31 March 2005 '000 RUR
Revenues	15	5,654,127
Cost of sales		(4,804,374)
Gross profit		849,753
Distribution expenses		(109,685)
Administrative expenses	16	(191,102)
Financial income	17	32,886
Financial expenses	17	(295,921)
Other income and expenses	18	(20,664)
Gain from subsidiary acquisition		228,772
Profit before tax and minority interest		494,039
Income tax benefit / (expense)	14	(51,256)
Profit after tax before minority interest		442,783
Minority interest		66,896
Net profit		509,679

The consolidated financial statements were approved by the Board of Directors of the Company on 16 June 2006.

Sazhinov G.Yu.	Ivanov S.V.
General Director	Chief Accountant
(signed)	(signed)

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The consolidated pro-forma income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

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	Note	31 March 2005 '000 RUR	1 April 2004 '000 RUR
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,896,776	2,896,388
Long term finance assets	6	1,558	39,938
Intangible assets		223	-
Deferred tax assets		7,003	-
Other long term assets		5,083	59
		3,910,643	2,936,385
Current assets			
Short term finance assets	6	46,244	9,615
Inventories	7	668,877	126,071
Prepaid expenses		82,098	56,304
VAT receivable		104,259	113,446
Deferred tax assets		608	-
Trade and other receivables	8	699,001	460,123
Cash and cash equivalents	9	26,690	13,302
		1,627,777	778,861
Total assets		5,538,420	3,715,246

The consolidated pro-forma balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

	Note	31 March 2005 ’000 RUR	1 April 2004 ’000 RUR
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ Equity			
Share capital	10	180	180
Retained earnings		1,325,728	816,049
		1,325,908	816,229
Minority interest		999,274	953,248
Non-current liabilities			
Loans and borrowings	11	607,976	588,070
Deferred income	13	16,010	-
Deferred tax liabilities		251,154	212,880
		875,140	800,950
Current liabilities			
Loans and borrowings	11	823,103	342,924
Short-term portion of long-term loans and borrowings	11	739,313	90,431
Income tax payable		35,326	38,564
Trade and other payables	12	669,991	636,433
Advances received		31,909	-
Deferred income	13	36,124	36,467
Provisions		2,332	-
		2,338,098	1,144,819
Total Shareholders’ equity and Liabilities		5,538,420	3,715,246

The consolidated pro-forma balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

	Year ended 31 March 2005
	'000 RUR
OPERATING ACTIVITIES	
Profit before tax and minority interest	494,039
Adjustments for:	
Depreciation	300,617
Loss on disposal of property, plant and equipment	6,831
Effect of a loan issued to a subsidiary prior to the subsidiary purchase	36,000
Deferred tax	21,751
Nonmonetary gain on subsidiary acquisition	(228,772)
Interest expense	295,921
Deferred income	15,666
Operating profit before changes in working capital and provisions	942,053
Increase in short term finance assets	52,680
Increase in inventories	(199,031)
Increase in prepaid expenses	(25,354)
Decrease in VAT receivable	9,187
Increase in trade and other receivables	(73,720)
Decrease in trade and other payables	(196,038)
Increase in advances received	31,874
Increase in provisions	2,330
Cash inflows from operations before income taxes and interest	543,981
Income taxes paid	(54,494)
Interest paid	(295,921)
Cash inflows from operating activities	193,566

The consolidated pro-forma statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

INVESTING ACTIVITIES	
Purchase of property, plant and equipment, net	(181,619)
Purchase of intangible assets	(223)
Purchase of unconsolidated subsidiaries	(386,105)
Disposal of other long term assets	(5,025)
Proceeds long term investments	2,380
Cash outflows from investing activities	(570,592)
FINANCING ACTIVITIES	
Repayment of borrowings	(900,605)
Proceeds from borrowings	1,291,019
Cash inflows from financing activities	390,414
Net increase in cash and cash equivalents	13,388
Cash and cash equivalents at beginning of year	13,302
Cash and cash equivalents at end of year	26,690

The consolidated pro-forma statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

'000 RUR	**Share capital**	**Retained earnings**	**Total**
Balance as of 1 April 2004	180	816,049	816,229
Net profit	-	509,679	509,679
Balance as of 31 March 2005	180	1,325,728	1,325,908

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements.

1 Background

(a) Organisation and operations

OAO Nutrinvestholding (the “Company”) and its subsidiaries (together referred to as the “Group”) produce wide range of dairy products, baby and other foods. The Group is one the leading players on the dairy products production market in Russia. The Group holds strong positions within key regional markets and is the leader in production of baby food and the unique manufacturer in Russia specialised in dietetic food.

OAO Nutrinvestholding is a Russian Federation open joint stock company as defined in the Civil Code of the Russian Federation registered in 1999 at Ustinskiy pr-d, 2/14, Moscow.

From formation, the Group has expanded substantially through acquisitions of new companies and establishment of new businesses. Today the Group represents dynamically developing holding that consists of 17 subsidiaries. List of significant subsidiaries is presented in Note 23 “Principal subsidiaries”.

Average number of employees in the year ended 31 March 2005 was 5,066 (in the year ended 31 March 2004: 3,466).

(b) Russian business environment

Whilst there have been improvements in recent years in the economic situation in the Russian Federation, the economy of the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets.

The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group’s control.

In addition, economic conditions continue to limit the volume of activities in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an efficient, active market involving willing buyers and sellers. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary. The future business environment may differ from management’s assessment. The impact of such differences on the operations and the financial position of the Group may be significant.

2 Basis of preparation

(a) Statement of compliance

The Group applies IFRS 1 "First-time Adoption of International Financial Reporting Standards" to the consolidated financial statements as of 31 March 2004 as this is the first time it prepares financial statements in accordance with International Financial Reporting Standards ("IFRS"). The reconciliation of the Group's equity and profit reported in accordance with Russian accounting standards and IFRS is provided in Note 19 "Effect of adjustments".

These consolidated financial statements have been prepared in accordance with, and complied with, International Financial Reporting Standards, excepts that the Group has not presented comparative information as required by IAS 1 "Presentation of Financial Statements" in respect of the Income statement and Cash flows statement.

The Group maintains its accounting records in accordance with the legislative requirements of the Russian Federation. The accompanying financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of IFRS. Management has made a number of significant estimates and assumptions relating to the reporting of assets and liabilities and the disclosures to prepare these consolidated financial statements in conformity with IFRS. Actual results could significantly differ from those estimates.

(b) Basis for measurement

The financial statements are prepared on the historical cost or amortised cost basis except for the restatement of non-monetary assets and liabilities to account for the effects of inflation as described in the accounting policies set out in Note 3 (b) "Inflation accounting", and except that property, plant and equipment are statement at deemed cost, except for those for which a reliable measure of fair value is not available.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Basis for consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidated

Intra-group balances and transactions and any unrealises gains and losses arising from intra-group transactions are eliminated in preparing these consolidated financial statements.

(e) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment (see note 1(b) "Russian business environment"). The accompanying consolidated financial statements do not include any adjustments should the Company be unable to continue as a going concern.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied.

(a) Foreign currencies

Transactions in foreign currencies are translated to RUR at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to RUR at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to RUR at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RUR at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

(b) Inflation accounting

In the years prior to 1 January 2003, Russia was considered to be a hyperinflationary economy as defined in IAS 29 “Financial Reporting in Hyperinflationary Economies”, which requires that financial statements be expressed in terms of the measuring unit current as of the balance sheet date. Accordingly, amounts indicated in the Group’s financial statements prior to 1 January 2003, have been restated to account for changes in the general purchasing power of the RUR. The restatement is based on relevant price indices at the balance sheet date. The indices are derived from the inflation rates which are issued by the State Statistical Committee of the Russian Federation (“Goskomstat”).

As from 1 January 2003 the Russian Federation is no longer considered to be a hyperinflationary economy, and therefore from this date the consolidated financial statements have not been adjusted for inflation. The carrying amounts of the Group’s assets, liabilities and equity items at 1 January 2003 form the basis for subsequent accounting.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is stated at cost/deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group’s property, plant and equipment has been revalued as of 31 March 2004 by independent valuer, American Appraisal, using a combination of the market, income and cost methods to arrive at the deemed cost for the purposes of preparation of the opening IFRS balance sheet as of 31 March 2004.

(ii) Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings 20-50
- Plant and equipment 6 to 15 years
- Livestock 6 years.

(d) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(e) Financial instruments

(i) Classification

Originated loans and receivables are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Group, or held to maturity.

(ii) Recognition

The Group recognises financial instruments held for trading and available-for-sale assets on the date it commits to purchase the assets.

Held-to-maturity assets are originated loans and receivables are recognised on the day they are transferred to or originated by the Group.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale securities are recognised in the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and 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.

(g) Goodwill

Goodwill represents excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary at the date of acquisition. Following the transition to IFRS 3 "Business Combinations" on 31 March 2004, the amortisation of goodwill has ceased. In accordance with the specific transitional provisions of IFRS 3 "Business Combinations", the accumulated amortisation at the date of transition to IFRS was eliminated against the original gross amount of goodwill. Goodwill is stated at cost less any accumulated impairment losses.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is recognised immediately in the income statement.

At the date of transitions to IFRS, the carrying amount of the negative goodwill was derecognised with the corresponding adjustments to the opening balance of retained earnings.

(h) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. 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 consolidated statement of cash flows.

(j) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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

(i) Calculation of recoverable amount

The recoverable amount of the Group's held-to-maturity investments, and loans and receivables, is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity investment, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, 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.

(k) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(l) Loans and borrowings

Loans and borrowings are recognised initially at cost. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) State pension funds

The Group makes contributions for the benefit of employees to the Russia's State pension fund. The contributions are expensed as incurred.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Trade and other payables

Trade and other payables are stated at cost.

(p) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Parent Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Revenues

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

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

(r) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, dividend income, foreign exchange gains and losses, gains and losses on the revaluation and disposal of investments held for trading or designated at fair value through profit and loss, and impairment losses and gains and losses on the disposal of available-for-sale investments.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses.

Interest income is recognised as it accrues, taking into account the effective yield on the asset. For investments in associates, dividend income is credited to the investment in the associate. For investments in other companies, dividend income is recognised on the date that the dividend is declared.

4 Businesses Acquired

In June 2004, the Company acquired 70,3% of Plemzavod Zarya farm for cash consideration of RUR 64,851 th. Plemzavod Zarya farm produces raw milk. The acquisition of Plemzavod Zarya allows the Company to save on raw material expenses and become less dependable on raw milk suppliers, as well as ensure a steady supply of raw milk to keep up with anticipated growth in production driven by anticipated increase in market demand. The fair value of net assets acquired exceeded the purchase price of the subsidiary by RUR 198,733 th. The amount was included into Gain from subsidiary acquisition.

In October 2004, the Company acquired 100% of Estmilk and Agro Piim farms for cash consideration of RUR 438,396 th. Agro Piim farms produce raw milk. The acquisition of Agro Piim allows the Company to save on raw material expenses and become less dependable on raw milk suppliers, as well as ensure a steady supply of raw milk to keep up with anticipated growth in production driven by anticipated increase in market demand. The fair value of net assets acquired exceeded the purchase price of the subsidiary by RUR 30,139 th. The amount was included into Gain from subsidiary acquisition.

5 Property, plant and equipment

'000 RUR	Land and buildings	Plant and equipment	Construction in progress	Livestock	Total
Cost /Deemed cost					
As of 31 March 2004	2,647,565	2,779,752	410,943	-	5,838,260
As of date of acquisition	6,552,871	707,033	-	104,090	7,363,994
Additions	-	-	151,288	30,331	181,619
Transfers	56,098	147,810	(203,908)	-	-
Disposals	-	(68,298)	-	-	(68,298)
As of 31 March 2005	9,256,534	3,566,297	358,323	134,421	13,315,575
Accumulated depreciation					
As of 31 March 2004	(1,561,761)	(1,380,111)	-	-	(2,941,872)
As of date of acquisition	(5,713,322)	(466,366)	-	(58,089)	(6,237,777)
Depreciation charge	(109,754)	(183,434)	-	(7,429)	(300,617)
Disposals	-	61,467	-	-	61,467
As of 31 March 2005	(7,384,837)	(1,968,444)	-	(65,518)	(9,418,799)
Net book value					
As of 31 March 2004	1,085,804	1,399,641	410,943	0	2,896,388
As of 31 March 2005	1,871,697	1,597,853	358,323	68,903	3,896,776

Assets pledged as collateral

As of 31 March 2005 building, machinery and equipment with carrying value of RUR 1,647,677 (as of 31 March 2004: 1,371,014) were pledged as collateral for loans received by the Group from banks and other financial institutions (refer to Note 11 "Loans and borrowings").

Determination of deemed cost

In 2005 management commissioned American Appraisal to independently appraise property, plant and equipment, in order to determine its deemed cost for the purposes of preparation of the Group's opening IFRS balance sheet as of 31 March 2004. American Appraisal was also commissioned to independently appraise property, plant and equipment for all subsidiaries acquired after 31 March 2004.

6 Long and short term finance assets

	31 March 2005 '000 RUR	31 March 2004 '000 RUR
Long term finance assets		
Unsecured loan to ZAO Plemzavod Zarya	-	36,000
Other	1,558	3,938
	1,558	39,938
Short term finance assets		
Available-for-sale promissory notes	46,244	9,615
	46,244	9,615

Short term finance assets are represented by RUR denominated actively traded promissory notes issued by the major banks of the Russian Federation. These available-for-sale securities bear interest rate from 4 to 12% p.a. and interest to be used in settlements with the Group's milk suppliers.

Unsecured RUR denominated loan was issued to ZAO Plemzavod Zarya bearing interest rate of 12% p.a.

7 Inventories

	31 March 2005 '000 RUR	31 March 2004 '000 RUR
Raw materials and consumables	215,373	104,621
Finished goods and goods for resale	275,325	12,052
Work in progress	167,263	9,398
Cattle	10,916	-
Less obsolescence provision	-	-
	668,877	126,071

8 Trade and other receivables

	31 March 2005 '000 RUR	31 March 2004 '000 RUR
Accounts receivable – trade	601,066	414,616
Other receivables	108,388	45,507
Provision for doubtful accounts	(10,453)	-
	699,001	460,123

9 Cash and cash equivalents

Cash and cash equivalents comprise the following:	31 March 2005 '000 RUR	31 March 2004 '000 RUR
RR denominated cash on hand and balances with banks	21,030	11,513
Foreign currency denominated balances with bank	5,660	1,789
	26,690	13,302

10 Share capital

As of 31 December 2005 authorised and paid-in-share capital of the Group consisted of 10,000,000 ordinary shares with the nominal value of RUR 0.01 each.

As at 31 March 2005 the Group's shareholders' structure can be presented as follows:

	31 March 2005 '000 RUR	31 March 2004 '000 RUR
OOO Trade Invest	50%	50%
OOO Interconsult	37%	50%
ZAO Depositary Company Uralsib (nominal shareholder)	13%	-
	100%	100%

In June-July 2005 shareholders of OAO Nutrinvestholding sold their shares to Marshall Milk Investments, which became the sole shareholder of the Group (refer also to Note 21 "Event subsequent to the balance sheet date").

The holders of ordinary shares are entitled to received dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

No dividends were declared or paid during the year ended 31 March 2005.

11 Loans and borrowings

	31 March 2005 '000 RUR	31 March 2004 '000 RUR
Non-current		
Secured bank loans	607,976	142,576
Secured loans from other financial institutions	-	437,194
Unsecured borrowings from regional state authority	-	8,300
	607,976	588,070
Current		
Secured bank loans	814,803	342,924
Short term portion of secured loans from other financial institution	478,229	90,431
Short term portion bank loans	261,084	-
Short term portion of unsecured borrowings from regional state authority	8,300	-
	1,562,416	433,355

Loans and borrowings as of 31 March 2005 have the following interest rate and repayment schedule:

'000 RUR	**Total**	**Under 1 year**	**1-5 years**
Secured bank loans:			
EEK: 3-6,5%	440,940	83,450	357,490
RUR: 15-22%	267,170	164,170	103,000
USD: 15-15,25%	975,753	828,267	147,486
Secured loans from other financial institutions			
RUR: 24-27%	478,229	478,229	
Unsecured borrowings from regional state authority:			
RUR: 0%	8,300	8,300	-
	2,170,392	1,562,416	607,976

Loans and borrowings from banks and other financial institutions were secured by pledge of machinery and equipment (refer to Note 5 “Property, plant and equipment”) and shares in consolidated subsidiaries (refer to Note 22 “Principal subsidiaries”).

12 Trade and other payables

	31 March 2005	**31 March 2004**
	’000 RUR	**’000 RUR**
Accounts payable – trade	546,845	238,130
Taxes payables	35,190	11,821
Payables to employees	31,360	12,768
Other payables and accrued expenses	56,597	373,714
	669,992	636,433

13 Deferred income

In 2002 the Group received government grant related to machinery and equipment in the amount of RUR 45,583 th. These tangible assets are currently used in production. Government grant is recognised as income on a systematic and rational basis over the period of usage of correspondent assets, which is 10 years.

14 Income tax expense

	Year ended 31 March 2005
	’000 RUR
Current income tax expense	16,815
Deferred income tax expense	34,441
	51,256

The Group’s applicable tax rate for current and deferred tax is 24%.

Reconciliation of effective tax rate:

	Year ended 31 March 2005 '000 RUR
Profit before tax and minority interest	494,039
Income tax at applicable tax rate	118,569
Tax effect of:	
Non-taxable profits for Estonia	(9,024)
Effect of gain from subsidiary acquisition	(54,905)
Other non-taxable items	(3,384)
	51,256

15 Revenues

	Year ended 31 March 2005
	’000 RUR
Whole-milk products	1,458,073
Dried milk	1,356,098
Baby and special food	942,542
Butter	515,835
Canned food	349,842
Cheese	241,296
Other	790,441
	5,654,127

16 Administrative expenses

	Year ended 31 March 2005
	’000 RUR
Wages and salaries	168,536
Other administrative expenses	22,566
	191,102

17 Financial income and financial expenses

	Year ended 31 March 2005 '000 RUR
Financial income	
Foreign exchange gain	5,229
Interest income and other financial income	27,657
	32,886
Financial expenses	
Interest expense from loans and borrowings	(295,291)
	(262,405)

18 Other income and expenses

	Year ended 31 March 2005 '000 RUR
Research and development costs expensed as incurred	(39,853)
Government subsidies	29,733
Loss on disposal of property, plant and equipment	(6,831)
Other income/(expenses)	(3,713)
	(20,664)

19 Effect of adjustments

Following the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" the Group has prepared the following reconciliation between equity and profit reported per Statutory reporting requirements and IFRS.

Reconciliation of Equity as 31 March 2005 and 31 March 2004

	31 March 2005 '000 RUR	**31 March 2004 '000 RUR**
Equity reported per statutory consolidated financial statements	1,827,446	1,421,370
Effect of adjustments related to differences in treatment of:		
Property, plant and equipment, including adjustments related to recognition at deemed cost	1,481,271	1,031,639
Minority interest	(999,274)	(953,248)
Negative goodwill per statutory financial statements	(673,411)	(534,544)
Deferred tax	(251,154)	(212,880)
Other	(58,970)	63,892
Equity reported per IFRS consolidated financial statements	1,325,908	816,229

Reconciliation of Profit for the year ended 31 March 2005

	Year ended 31 March 2005 '000 RUR
Profit reported per statutory consolidated financial statements	469,862
Effect of adjustments related to differences in treatment of:	
Minority interest	66,896
Property, plant and equipment	(190,053)
Gain from subsidiary acquisition	228,772
Deferred tax	(38,274)
Other	(27,524)
Profit reported per IFRS consolidated financial statements	509,679

20 Contingencies

Insurance

The Group maintains adequate insurance cover for its property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group property or relation to the Group operations.

Litigation

From time to time and in the normal course of business, claims against the Group are received. On the basis of own estimates and internal and external professional advice the Management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized 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 the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for the environmental damage.

21 Related party transactions

The Group has entered into a variety of transactions with related parties during the reporting period. For the purposes of these consolidated financial statements related parties are defined by the Group as enterprises that are directly or indirectly controlled by the Group, individuals owning, directly or indirectly, an interest in the Group that gives them significant influence over the Group, and their immediate families, Directors and officers of the Group and their immediate families and Enterprises in which individuals, directors or officers as described above, directly or indirectly, exercise significant influence or have control. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions with Directors and senior management

Former General Director of OAO “Nutrinvestholding”, acting through September 2005, is a close family member of a controlling shareholder. Total salary, including related taxes, paid to General Director during the year ended 31 March 2005 was RUR 3,480 th.

22 Events subsequent to the balance sheet date

On 24 August 2004 100% of shares in Irmgard Assets Ltd., the owner of 100% share in Estmilk and Agro Piim, were contributed to the Group by its ultimate shareholder.

On 28 August 2004 50% of shares in Kompania Nutritek, ZAO were contributed to the Group by its ultimate shareholder.

On February 1, 2006 the Group has acquired 56% of OAO Khorolskiy Molochnyi Kombinat, a dairy baby food plant located in Ukraine. In March 2006 the group has acquired additional 12% of KMP. The total consideration including the investments commitments for OAO Khorolskiy Molochnyi Kombinat was RUR 307,340 th. Net assets of OAO Khorolskiy Molochnyi Kombinat as of December 31, 2005 are RUR 247,000 th. Group Slavex revenues for fiscal year 2005 are RUR 583,995.

On March 1, 2006 the Group has acquired 100% of Slavex Group, a non-dairy baby food plant located in Moscow Russia. The total consideration for Slavex Group RUR 977,900 th. Net assets of Slavex Group as of December 31, 2005 are RUR 3,733 th. HMP revenues for fiscal year 2005 are RUR 682,584 th.

23 Principal subsidiaries

The Company has the following investments in consolidated subsidiaries, incorporated in the Russian Federation, as of 31 March 2005, including subsidiaries owned by a common shareholder:

	% owned
OAO Nutrinvest	99.82
PTK Severnoe moloko, ZAO	92.83
Zelenodolskiy molochnyi kombinat, OAO	77.96
Molochnyi kombinat Penzenskiy, OAO	50.81
Moloko, OAO	74.96
Filimonovskiy molochno-konservnyi kombinat, OAO	50.81
Kompania Nutritek, ZAO (please see note 22)	100.00
Sibay-konservmoloko, OAO	50.91
Konservnyi zavod Dinskoy, OAO	50.01
Molkombinat, ZAO	99.82
Aktiv, OOO	99.82
Biyskiy maslo-syrnyi kombinat, ZAO	99.82
Yaroslavskiy hladokombinat, OOO	99.82
Plemzavod Zarya	70,30
Estmilk (please see note 22)	100.00
Agro Piim (please see note 22)	100.00

Torgovaya Kompania Nutritek, ZAO	99.82

Shares of the following subsidiaries were pledged as collateral for funds borrowed from banks and other financial institutions as of 31 March 2005:

	% of shares owned pledged as collateral
OAO Nutrinvest	51.00
PTK Severnoe moloko, ZAO	92.83
Zelenodolskiy molochnyi kombinat, OAO	77.96
Molochnyi kombinat Penzenskiy, OAO	50.81
Moloko, OAO	74.96
Filimonovskiy molochno-konservnyi kombinat, OAO	50.81
Kompania Nutritek, ZAO	49.91
Sibay-konservmoloko, OAO	50.91
Konservnyi zavod Dinskoy, OAO	50.01
Molkombinat, ZAO	99.82
Biyskiy maslo-syrnyi kombinat, ZAO	99.82

24 Risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

The Group does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The majority of sales are made on a prepayment basis.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group incurs interest rate risk primarily on loans and borrowings from banks and other financial institutions. Average effective interest rates are disclosed in Note 16 "Loans and borrowings". The Group borrows on a fixed and variable interest rate basis.

Foreign exchange risk

The Group incurs foreign exchange rate risk on borrowings that are denominated in currency other than RUR. The currency giving rise to this risk is primarily US Dollar. Management does not consider this risk to have a significant impact on Group's operations.