OAO Nutrinvestholding and subsidiary undertakings

(“NUTRITEK GROUP”)

Non-Statutory Consolidated Interim Financial Statements for the six month period ended 30 September 2006

Contents

Non-statutory review report

To the board of directors of OAO Nutrinvestholding

Introduction

We have been instructed by the Company to review the consolidated financial information on OAO Nutrinvestholding ('Nutritek') for the six months ended 30 September 2006 which is set out on pages 2 to 37. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

Directors' responsibilities

The interim financial information contained therein is the responsibility of, and has been approved by, the Directors of the Company. The accounts have been prepared on the basis that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where changes, and the reason for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the United Kingdom Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test or controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of a potential IPO on the Moscow Stock Exchange and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

MRI Moores Rowland LLP

MRI Moores Rowland LLP

London
United Kingdom

Moores Rowland

MRI Rosexpertisa LLC

Moscow
Russia

20 December 2006

	Note	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Revenue	17	4,836,308	2,881,355
Cost of sales	17	(4,027,108)	(2,422,767)
Gross profit	17	809,200	458,588
Distribution expenses		(319,173)	(162,428)
Administrative expenses	18	(187,925)	(116,871)
Operating profit		302,102	179,289
Financial income	19	107,579	103,616
Financial expenses	19	(260,502)	(166,103)
Other income and expenses	20	49,922	(10,317)
Profit before tax		199,101	106,485
Taxation	16	(35,611)	(14,898)
Net profit for the period		163,490	91,587
Attributable to:			
Shareholders of the Parent Company		197,657	116,823
Minority interest		(34,167)	(25,236)
		163,490	91,587
		RUR	**RUR**
Basic earnings per share	12	14.30	8.50
Diluted earnings per share	12	14.30	8.50

The consolidated interim financial statements were approved by the Board of Directors of the Company on 13 December 2006.

Sazhinov G.Yu.
General Director

Ivanov S.V.
Chief Accountant

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

	Note	30 September 2006 unaudited '000 RUR	31 March 2006 '000 RUR
ASSETS			
Non-current assets			
Intangible assets	8	981,551	998,112
Property, plant and equipment	5	5,172,707	5,107,395
Biological assets	6	337,417	301,329
Investments	7	42,377	26,228
Other long term assets		9,915	7,288
		6,543,967	6,440,352
Current assets			
Investments	7	227,944	743,953
Inventories	9	1,166,321	619,903
Trade and other receivables	10	2,976,117	1,573,950
Cash and cash equivalents	11	233,422	936,064
		4,603,804	3,873,870
Total assets		11,147,771	10,314,222

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

	Note	30 September 2006 unaudited '000 RUR	31 March 2006 '000 RUR
EQUITY AND LIABILITIES			
Equity			
Share capital	12	137	137
Share premium		2,511,314	1,388,212
Treasury shares		-	(10)
Retained earnings		1,744,779	1,547,026
Total equity attributable to shareholders of the parent company		4,256,230	2,935,365
Minority interest		962,175	1,062,049
Total equity		5,218,405	3,997,414
Non-current liabilities			
Loans and borrowings	13	3,879,730	4,076,687
Deferred income	15	132,708	91,388
Deferred tax liabilities	16	268,436	375,098
		4,280,874	4,543,173
Current liabilities			
Loans and borrowings	13	825,999	603,547
Income tax payable		65,915	66,926
Trade and other payables	14, 15	756,578	1,095,957
Provisions		-	7,205
		1,648,492	1,773,635
Total equity and liabilities		11,147,771	10,314,222

Sazhinov G.Yu.
General Director

Ivanov S.V.
Chief Accountant

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

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
OPERATING ACTIVITIES		
Profit for the period before tax	199,101	106,485
Adjustments for:		
Depreciation and amortisation	367,394	183,997
Provision against biological assets	(25,845)	(35,935)
Recognition of negative goodwill	(59,798)	-
Other non-cash items	(180,372)	(33,292)
Interest expense	260,502	166,103
Operating profit before changes in working capital and provisions	560,982	387,358
Increase in inventories	(546,418)	(9,075)
(Increase)/decrease in trade and other receivables	(1,402,167)	110,789
Decrease in trade and other payables	(300,713)	(126,228)
Decrease in provisions	(7,205)	(2,330)
Cash (outflow)/inflow from operations before income taxes and interest	(1,695,521)	360,514
Income taxes paid	(143,284)	(4,684)
Interest paid	(294,890)	(109,339)
Cash (outflow)/inflow from operating activities	(2,133,695)	246,491
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(416,145)	(627,692)
Acquisition of long term investments	(16,150)	(3,046)
Repayment/(acquisition) of short term investments	516,009	(56,232)
Purchase of biological assets	(13,327)	(167,112)
Purchase of subsidiaries (net of cash acquired)	(5,909)	-
Purchase of other long term assets	(2,626)	(58,612)
Cash inflow/(outflow) from investing activities	61,852	(912,694)

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

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
FINANCING ACTIVITIES		
Proceeds from share issue	-	1,999,612
Acquisition of treasury stock	-	(611,363)
Proceeds from sale of treasury shares	1,123,102	-
Proceeds from borrowings	271,095	2,056,840
Repayment of borrowings	(66,215)	(1,312,975)
Grants received	41,219	107,075
Cash inflow from financing activities	1,369,201	2,239,189
Net (decrease)/increase in cash and cash equivalents	(702,642)	1,572,986
Cash and cash equivalents at beginning of the period	936,064	26,690
Cash and cash equivalents at end of the period	233,422	1,599,676

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

	Attributable to shareholders of the Parent						
'000 RUR	**Share capital unaudited**	**Share premium unaudited**	**Treasury shares unaudited**	**Retained earnings unaudited**	**Total unaudited**	**Minority interest unaudited**	**Total equity unaudited**
Balance as of 1 April 2006	137	1,388,212	(10)	1,547,026	2,935,365	1,062,049	3,997,414
Sale of treasury shares	-	1,123,102	10	-	1,123,112	-	1,123,112
Foreign subsidiary translation difference	-	-	-	96	96	-	96
Acquisition of shares	-	-	-	-	-	(65,707)	(65,707)
Net profit	-	-	-	197,657	197,657	(34,167)	163,490
Balance as of 30 September 2006	137	2,511,314	-	1,744,779	4,256,230	962,175	5,218,405

	Attributable to shareholders of the Parent						
'000 RUR	**Share capital unaudited**	**Share premium unaudited**	**Treasury shares unaudited**	**Retained earnings unaudited**	**Total unaudited**	**Minority interest unaudited**	**Total equity unaudited**
Balance as of 1 April 2005	180	-	-	1,325,728	1,325,908	999,274	2,325,182
Net effect of legal restructuring	(80)				(80)		(80)
Share capital issue	37	1,999,565	-	-	1,999,602	-	1,999,602
Treasury shares acquired	-	(611,353)	(10)	-	(611,363)	-	(611,363)
Foreign subsidiary translation difference		-	-	(11,529)	(11,529)	-	(11,529)
Net profit	-	-	-	116,823	116,823	(25,236)	91,587
Balance as of 30 September 2005	137	1,388,212	(10)	1,431,021	2,819,361	974,038	3,793,399

Retained earnings as of 30 September 2006, 1 April 2006 and 1 April 2005 include accumulated foreign subsidiary translation loss of RUR 16,488 thousand, RUR 16,584 thousand and RUR nil respectively.

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

1 Background

(a) Organisation and operations

OAO Nutrinvestholding (the "Parent Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Parent Company's registered office is 37A, block 14, Leningradskiy Prospect, Moscow, Russia.

The Group's principal activity is producing baby food and dairy as well as agriculture at plants and farms located in the cities and suburbs of Tallinn, Vologda, Moscow, Penza and several other cities. These products are sold in the Russian Federation and abroad.

(b) Russian business environment

Whilst in recent years there have been improvements 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 consolidated interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

All accounting policies described in the consolidated financial statements as of and for the year ended 31 March 2006 have been consistently applied in preparing this consolidated interim financial information.

2 Basis of preparation (continued)

(b) Basis for measurement

The consolidated interim financial statements are prepared on the historical cost basis except that derivative financial instruments, investments at fair value through profit or loss and investments available-for-sale are stated at fair value; property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, Goskomstat. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(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 interim financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Going concern

The consolidated interim 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 interim financial statements do not include any adjustments should the Company be unable to continue as a going concern.

(e) Corresponding amounts

The directors have reanalysed certain comparative amounts in order to make their disclosure more meaningful.

(f) Use of estimates and judgments

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 8 "Intangible assets";
- Note 10 "Trade and other receivables";
- Note 16 "Income tax expense"; and
- Note 21 "Contingencies".

3 Significant accounting policies

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

(a) Exemptions from full retrospective application elected by the Group:

(i) Business combinations exemption

The Company has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to 1 April 2004.

(ii) Fair value as deemed cost exemption

The Company has elected to measure certain property, plant and equipment at fair value as at 1 April 2004.

(b) Basis for consolidation

The consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiary undertakings made up to 30 September 2006.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings except where otherwise stated.

(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) Special purpose entities

The Group operates with a number of special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements.

(iii) Acquisitions and disposals of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as goodwill or negative goodwill.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary including attributable goodwill, is recognised in the income statement.

3 Significant accounting policies (continued)

(iv) Transactions eliminated on consolidation

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

(c) Foreign currencies – company

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.

(d) Foreign currencies – group

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are transferred into the presentational currencies as follows:

- *(i)* assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- *(ii)* income and expenses for each income statement are translated at average exchange rates
- *(iii)* all resulting exchange differences are recognised as a separate component of equity.

(e) 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.

3 Significant accounting policies (continued)

(f) 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 an 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. American Appraisal was also commissioned to independently appraise property, plant and equipment for all subsidiaries acquired after 31 March 2004.

(ii) Biological assets

Special treatment applies to biological assets under IFRS, whereas these assets are treated as standard fixed assets under RAS. The special treatment of biological assets is outlined in IAS 41 - Agriculture. According to IAS 41, biological assets shall be reported at their fair value at each reporting date. The change in fair value may be attributable to physical changes or changes in market prices of biological assets. Changes in the fair value of a biological asset shall be recognised in the income statement as gains or losses. This implies that the income statement will reflect an assessed net growth in addition to actual livestock. The new rules also affect the accounting of inventory as the initial measurement of agricultural produce shall be reported at its fair value. Nutritek Group biological assets consist of workstock, productive livestock, self-maintained herds and pig herds.

(iii) 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 leases 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.

(iv) 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.

3 Significant accounting policies (continued)

(v) 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 to 50 years
- Plant and equipment 6 to 15 years

(g) Intangible assets and negative goodwill

(i) Goodwill and negative goodwill

Adoption of IFRSs

Goodwill / negative goodwill in relation to a business combination that occurred prior to the date of adopting IFRSs, 1 April 2004, was determined at that date as the difference between the cost of acquisition of the subsidiary, adjusted for hyperinflation until the end of 2002 where applicable, and the IFRS carrying amounts of the assets and liabilities of the subsidiary in the consolidated financial statements.

Other goodwill

Other goodwill arising on an acquisition represents the excess of the cost of the acquisition over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other negative goodwill

Other negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill is recognised immediately in the income statement.

(ii) 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.

(iii) Brands

Brands are capitalised at fair value at the date of acquisition. Brands have a finite useful economic life and are appraised at fair value on acquisition based on the Group's methodology using discounted cash flows. Amortisation is calculated using the straight line method to allocate the fair value on acquisition over their useful economic life. The useful economic life of the brands is considered to be 10 years.

3 Significant accounting policies (continued)

(h) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a group of assets engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

(i) 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.

3 Significant accounting policies (continued)

(j) 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.

(k) Trade and other receivables

Trade and other receivables are stated at cost less provision for bad and doubtful debts.

(l) 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.

(m) 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 required to bring these assets to market 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.

3 Significant accounting policies (continued)

In respect of assets other than goodwill, 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.

(n) Share capital

(i) Repurchase of share capital

When equity share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity. Treasury shares are reflected at par value, the difference between the consideration paid for the treasury shares and nominal cost is adjusted through the share premium account.

(ii) Dividends

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

(o) Loans and borrowings

Loans and borrowings are recorded at the proceeds received, net of direct issue costs. 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. Direct issue costs are amortised over the period of the loans to which they relate.

(p) State pension funds

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred. The Group doesn't have any other obligations.

(q) 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 that 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.

(r) Trade and other payables

Trade and other payables are stated at cost.

3 Significant accounting policies (continued)

(s) 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.

(t) 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.

(u) Accounting for government grants

Government grants related principally to biological assets on Nutritek agricultural subsidiaries. These refer primarily to the treatment of government grants which are not recognised as income initially, but rather reduce the acquisition cost of the respective item of property acquired.

Government support (grants) is allocated for the purposes of dairy cattle husbandry and bred livestock farm. Furthermore agricultural subsidiaries obtain the following government grants: acreage grants and milk production grants.

Government and other grants are recognised at their fair value when received from government or other accredited institutions.

3 Significant accounting policies (continued)

(v) 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 other companies, dividend income is recognised on the date that the dividend is declared.

(w) Other expenses

(i) Operating leases

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.

(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.

(x) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 September 2006, and have not been applied in preparing these consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

(y) Critical accounting estimates and judgements

Estimates and judgements are consistently evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The accounting estimates will therefore seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows:

3 Significant accounting policies (continued)

(i) Brands

After 1 April 2004, the Group acquired two brands as part of corporate acquisitions as described further in Note 8 “Intangible assets”. The management has estimated the value of the brands acquired using the methodology of discounted cash flows and by obtaining an independent appraisal of the intangible assets acquired.

(ii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policies. The recoverable amounts of cash generating units have been determined based on value in use calculations. The calculations require the use of estimates.

(iii) Income taxes

Significant judgement is required in determining the provision for income taxes. The Group recognises tax liabilities based on their estimate of whether tax will be due. However, following the annual tax audit, there may arise tax assessments which are different from the amounts that were initially recorded. Such differences will impact the income tax and deferred tax provision in the period in which such determinations are made.

4 Businesses acquired

In June-August 2006 the Group acquired additional 22.44% of ZAO Plemzavod Zarya for cash consideration of RUR 5,909 thousand.

On 1 February, 2006 the Group acquired 56% of OAO Khorolsky Molochno-Konservnyi Kombinat (“Khorolsky MKK”), a company incorporated in Ukraine, from a third party. Khorolsky MKK specialises in the production of dairy baby food products, dry milk powder, butter, and whole milk (dairy) products. The plant is located in Khorol, Ukraine. In March 2006 the Group acquired an additional 12% of Khorolsky MKK. Khorolsky MKK revenue for the year ending 31 March 2006 amounted to RUR 511,873 thousand.

On 1 March, 2006 the Group acquired 100% of Slavex Group from a third party. Slavex Group includes a trading company ZAO TD Slavex, a non-dairy baby food plant ZAO Moskovsky Zavod Detskogo Pitaniya (MZDP), a subsidiary producing special baby water OOO Aqua-Pak, and a headquarters company ZAO Slavex-Centre. All subsidiaries of Slavex Group are located in Moscow, Russia. Slavex Group’s revenue for the year ending 31 March 2006 amounted to RUR 661,847 thousand.

In June 2004, the Company acquired 70.3% of ZAO Plemzavod Zarya farm for cash consideration of RUR 64,851 thousand from third parties. Plemzavod Zarya farm produces raw milk. The fair value of net assets acquired exceeded the purchase price of the subsidiary by RUR 198,733 thousand. The resulting negative goodwill was included in the income statement.

4 Businesses acquired (continued)

In October 2004 the Group's ultimate shareholder acquired 100% of the issued shares in OU Estmilk and AS Agro Piim, companies incorporated in Estonia, for cash consideration of RUR 438,396 thousand. Agro Piim farms produce raw milk. The fair value of the net assets acquired exceeded the purchase price of the subsidiary by RUR 30,139 thousand. The resulting negative goodwill was included in the income statement. The results of this acquisition are included in the consolidated financial statements for 31 March 2005 on a pro-forma basis. On 24 August 2005 100% of shares in Irmgard Assets Ltd., the owner of 100% of the issued shares in OU Estmilk and AS Agro Piim were contributed to the Group by its ultimate shareholder at no further cost to the Group.

On 28 August 2005 50% of shares in ZAO Kompania Nutritek were contributed to the Group by its ultimate shareholder at no further cost to the Group.

5 Property, plant and equipment

'000 RUR	Land and buildings	Plant and equipment	Construction in progress	Total unaudited
Cost /Deemed cost				
As of 1 April 2006	4,160,561	4,195,881	312,626	8,669,068
Additions	14,441	159,872	241,832	416,145
Disposals	-	(15,624)	-	(15,624)
As of 30 September 2006	4,175,002	4,340,129	554,458	9,069,589
Accumulated depreciation				
As of 1 April 2006	(1,818,882)	(1,742,791)	-	(3,561,673)
Depreciation charge	(86,231)	(264,602)	-	(350,833)
Disposals	-	15,624	-	15,624
As of 30 September 2006	(1,905,113)	(1,991,769)	-	(3,896,882)
Net book value				
As of 31 March 2006	2,341,679	2,453,090	312,626	5,107,395
As of 30 September 2006	2,269,889	2,348,360	554,458	5,172,707

5 Property, plant and equipment (continued)

’000 RUR	Land and buildings	Plant and equipment	Construction in progress	Total unaudited
Cost /Deemed cost				
As of 1 April 2005	3,543,212	3,099,931	358,323	7,001,466
Additions	225,371	423,038	(20,717)	627,692
Disposals	-	-	-	-
As of 30 September 2005	3,768,583	3,522,969	337,606	7,629,158
Accumulated depreciation				
As of 1 April 2005	(1,671,515)	(1,502,078)	-	(3,173,593)
Depreciation charge	(70,429)	(113,531)	-	(183,960)
Disposals	-	-	-	-
As of 30 September 2005	(1,741,944)	(1,615,609)	-	(3,357,553)
Net book value				
As of 31 March 2005	1,871,697	1,597,853	358,323	3,827,873
As of 30 September 2005	2,026,639	1,907,360	337,606	4,271,605

Assets pledged as collateral

As of 30 September 2006 building, machinery and equipment with carrying value of RUR 279,000 thousand (as of 31 March 2006: RUR 299,000 thousand) were pledged as collateral for loans received by the Group from banks and other financial institutions (refer to Note 13 “Loans and borrowings”). Those assets belong to the following Group companies: OAO Zelenodolsky Molochnyi Kombinat and OAO Konservny Zavod Dinskoy.

Determination of deemed cost

In 2005 management commissioned American Appraisal (AAR), Inc. to independently appraise property, plant and equipment as at 31 March 2004 in order to determine its deemed cost. The fair value of property, plant and equipment was determined to be RUR 2,896,388 thousand. American Appraisal was also commissioned to independently appraise property, plant and equipment for all subsidiaries acquired after 31 March 2004.

6 Biological assets

The Group is engaged in milk production for supply to various customers and for internal production. As of 30 September 2006, the Group held 10,974 cows able to produce milk (mature assets) (2005: 8,284) and 13,317 calves that are being raised to produce milk in the future (immature assets) (2005: 10,680). The Group produced 30,767 tonnes of milk with a fair value of RUR 221,519 thousand to external customers and 5,447 tonnes of milk for internal production in the six months ended 30 September 2006 (2005: 23,143 tonnes of milk with a fair value of RUR 153,901 thousand to external customers and 4,097 tonnes of milk for internal production).

6 Biological assets (continued)

'000 RUR	Workstock	Productive livestock	Pig herd	Self-maintained herd	Total unaudited
As of 1 April 2006	6,988	123,992	962	169,387	301,329
Animal yield	-	-	35	16,558	16,593
Body-weight increase	-	-	442	26,402	26,844
Additions	922	-	112	12,293	13,327
Pithed	-	-	(41)	(3,105)	(3,146)
Disposals	-	-	(262)	(7,451)	(7,713)
Mortality	(431)	(4,277)	(79)	(1,946)	(6,733)
Transfers	-	24,610	-	(24,610)	-
Fair value adjustment	(164)	(2,896)	(24)	-	(3,084)
As of 30 September 2006	7,315	141,429	1,145	187,528	337,417

'000 RUR	Workstock	Productive livestock	Pig herd	Self-maintained herd	Total unaudited
As of 1 April 2005	8,054	34,427	531	36,807	79,819
Animal yield	-	-	35	26,654	26,689
Body-weight increase	-	-	457	23,765	24,222
Additions	-	-	96	167,016	167,112
Pithed	-	-	(65)	(1,087)	(1,152)
Disposals	-	-	(343)	(7,065)	(7,408)
Mortality	(376)	(5,054)	-	(986)	(6,416)
Transfers	-	85,654	-	(85,654)	-
Fair value adjustment	(89)	(2,132)	(15)	-	(2,236)
As of 30 September 2005	7,589	112,895	696	159,450	280,630

7 Long and short term investments

	30 September 2006 unaudited '000 RUR	31 March 2006 '000 RUR
Long term investments	42,377	26,228
	42,377	26,228
Short term investments		
Short term loans	85,920	-
Refundable deposit	-	562,446
Available-for-sale promissory notes (bearing no interest)	142,024	181,507
	227,944	743,953

Long term investments relate to investment loans given to forestries in the Vologda region.

Short term loans are investment loans bearing 12% interest rate.

8 Intangible assets

The management has estimated the value of the brands acquired to be RUR 330,548 thousand using the discounted cash flow methodology. An independent appraisal of the intangible assets (brands) acquired was performed by American Appraisal amounted to RUR 386,288 thousand. In addition American Appraisal valued the client list of Slavex Group at RUR 257,632 thousand. For the purposes of these interim financial statements the Group management did not allocate any value to Slavex Group client list because the client base of Slavex Group was the same as Nutritek Group's existing client base.

'000 RUR	Goodwill	Brands	Other intangible assets	Total unaudited
Deemed cost and net book value				
As of 1 April 2006	667,323	330,548	241	998,112
Amortisation	-	(16,527)	(34)	(16,561)
As of 30 September 2006	667,323	314,021	207	981,551

9 Inventories

	30 September 2006 unaudited	31 March 2006
	’000 RUR	’000 RUR
Raw materials and consumables	771,467	308,792
Finished goods and goods for resale	277,534	240,181
Work in progress	117,320	70,930
	1,166,321	619,903

10 Trade and other receivables

	30 September 2006 unaudited	31 March 2006
	’000 RUR	’000 RUR
Accounts receivable – trade	2,433,349	1,071,049
Other receivables	401,469	367,889
Provision for doubtful accounts	(122,710)	(38,467)
Prepaid expenses	102,593	23,377
VAT receivable	161,416	150,102
	2,976,117	1,573,950

11 Cash and cash equivalents

Cash and cash equivalents comprise the following:	30 September 2006 unaudited	31 March 2006
	’000 RUR	’000 RUR
RUR denominated cash on hand and balances with banks	231,765	632,129
Foreign currency denominated balances with bank	1,657	18,935
Promissory notes	-	285,000
	233,422	936,064

12 Share capital

As at 30 September 2006 the issued share capital of the consolidating parent company equalled to RUR 137,500 (13,750,000 ordinary shares with the nominal value of RUR 0.01 each).

The Group's shareholders' structure is as follows:

	30 September 2006 unaudited	**31 March 2006**
Marshall Milk Investments[1]	70.43%	70.43%
Private placement investors	29.57%	22.10%
Treasury shares	-	7.47%
	100%	100%

In May-August 2006, the Group sold all of its treasury stock to private investors for a total amount of RUR 1,123,102 thousand.

The holders of ordinary shares are entitled to receive 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 six months ended 30 September 2006.

Earnings per share

Basic earnings per share are calculated by dividing profit for the six months ended 30 September 2006 of RUR 197,657 thousand (2005 - RUR 116,823 thousand) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of 13,750,000 (2005: 13,750,000). Diluted earnings per share is weighted average number of ordinary shares in issue adjusted for the potential ordinary share dilution from share options and shares to be issued being 13,750,000 (2005: 13,750,000). There are no dilutive financial instruments.

[1] Beneficial owners of Marshall Milk Investments Limited are G. Sazhinov and K. Malofeev.

13 Loans and borrowings

	30 September 2006 unaudited '000 RUR	31 March 2006 '000 RUR
Non-current		
Secured bank loans	-	-
Unsecured loans from international financial institutions (Credit Link Notes)	2,679,730	2,876,687
Unsecured loans from local financial institutions (Russian Bonds)	1,200,000	1,200,000
	3,879,730	4,076,687
Current		
Loans and borrowings		
Secured bank loans	665,413	596,630
Unsecured promissory notes at par	160,586	-
Short term portion of unsecured borrowings from regional state authority	-	6,917
	825,999	603,547
	4,705,729	4,680,234

Loans and borrowings as of 30 September 2006 have the following interest rate and repayment schedule:

'000 RUR	Total	Under 1 year	1-5 years
Secured bank loans:			
RUR: 10.5-12%	633,256	633,256	-
USD: 10.5-11.5%	32,157	32,157	-
Unsecured loans from other financial institutions			
RUR: 12%	1,200,000	-	1,200,000
USD: 10.5%	2,679,730	-	2,679,730
Unsecured promissory notes at par:			
RUR: 0%	160,586	160,586	-
	4,705,729	825,999	3,879,730

Interest accrued at 30 September 2006 in the amount of RUR 73,056 thousand (2005: RUR 42,608 thousand) is included in current liabilities.

13 Loans and borrowings (continued)

Loans and borrowings from banks and other financial institutions were secured by the pledging of machinery and equipment (refer to Note 5 “Property, plant and equipment”) and shares in consolidated subsidiaries (refer to Note 23 “Principal subsidiaries”). Pledged equipment belongs to the following Group production subsidiaries: OAO Zelenodolskiy Molochnyi Kombinat and OAO Konservnyi Zavod Dinskoy.

14 Trade and other payables

	30 September 2006 unaudited	31 March 2006
	’000 RUR	’000 RUR
Accounts payable – trade	566,743	865,721
Taxes payables	65,915	43,385
Payables to employees	27,603	42,164
Other payables and accrued expenses	35,248	53,842
Advances received	176	25,674
Deferred income	60,893	65,171
	756,578	1,095,957

15 Deferred income

	30 September 2006 unaudited	31 March 2006
	’000 RUR	’000 RUR
Non-current government grants	132,708	91,388
Non-current deferred income	-	-
	132,708	91,388
Current government grants	8,720	8,845
Current deferred income	52,173	56,326
	60,893	65,171
	193,601	156,559

16 Income tax expense

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Current income tax expense	166,225	14,048
Deferred income tax expense/gain	(130,614)	850
	35,611	14,898

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

Deferred tax assets and liabilities are attributable to:

'000 RUR	Assets		Liabilities		Net	
	Six month period ended 30 September 2006 unaudited	Year ended 31 March 2006	Six month period ended 30 September 2006 unaudited	Year ended 31 March 2006	Six month period ended 30 September 2006 unaudited	Year ended 31 March 2006
Property, plant and equipment	-	3,724	339,902	367,546	(339,902)	(363,822)
Trade and other receivables	84,027	2,450	-	-	84,027	2,450
Deferred income	-	-	6,745	8,211	(6,745)	(8,211)
Provisions	-	1,729	-	-	-	1,729
Trade and other payables	-	-	5,816	7,244	(5,816)	(7,244)
Tax assets / (liabilities)	84,027	7,903	352,463	383,001	(268,436)	(375,098)

Any deferred tax charge or credit is recognised in the consolidated interim income statement.

16 Income tax expense (continued)

Reconciliation of effective tax rate:

	Six month period ended 30 September 2006 unaudited ’000 RUR	Six month period ended 30 September 2005 unaudited ’000 RUR
Profit before tax and minority interest	199,101	106,485
Income tax at applicable tax rate of 24%	47,784	25,556
Tax effect of:		
Gain from subsidiary acquisition	(14,351)	-
Non-taxable profits in Estonia	-	(404)
Gain from refinancing of buy back lease agreement	-	(6,322)
Other non-deductible/(non-taxable) items	2,178	(3,932)
	35,611	14,898

17 Segmental reporting

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Milk products		
Revenues	3,018,300	2,012,669
Cost of sales	(2,705,894)	(1,817,192)
Gross profit	312,406	195,477
Baby and special food		
Revenues	1,818,008	868,686
Cost of sales	(1,321,214)	(605,575)
Gross profit	496,794	263,111
Total		
Revenues	4,836,308	2,881,355
Cost of sales	(4,027,108)	(2,422,767)
Gross profit	809,200	458,588

During the six months under review, over 75% of the Group's revenue, segment results and assets originated from within Russia and not more than 10% arose from within any other individual geographical segment. On this basis, no geographical segmental analysis is included, in accordance with IAS 14.

18 Administrative expenses

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Wages and salaries	183,651	109,614
Lease of head office building (Leningradsky Prospect)	4,212	7,212
Other administrative expenses	62	45
	187,925	116,871

Average number of employees in the six month period ended 30 September 2006 was 5,141 (in the six month period ended 30 September 2005: 4,247).

19 Financial income and financial expenses

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Financial income		
Foreign exchange gain	106,873	116,359
Foreign exchange loss	(3,532)	(14,765)
Interest income and other financial income	4,238	2,022
	107,579	103,616
Financial expenses		
Interest expense from loans and borrowings	(260,502)	(166,103)

20 Other income and expenses

	Six month period ended 30 September 2006 unaudited '000 RUR	Six month period ended 30 September 2005 unaudited '000 RUR
Research and development costs expensed as incurred	(12,448)	(10,654)
Negative goodwill	59,798	-
Government grants	4,802	6,021
Loss on disposal of property, plant and equipment	-	-
Other expenses	(2,230)	(5,684)
	49,922	(10,317)

21 Contingencies

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 consolidated interim financial statements.

Taxation contingencies

The taxation system in the Russian Federation 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 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.

21 Contingencies (continued)

For tax reduction purposes the Group operates with special purpose entities (SPEs) in which it does not hold any direct or indirect equity interest and does not appoint management. The methods used by the SPEs to reduce taxes may not comply with interpretations of applicable tax legislation by government officials. Management of these SPEs is responsible for the correctness and timeliness of the tax payments by the SPEs. However, the Group may also indirectly be held responsible.

Based on the facts available, no provision for potential tax liabilities has been made in these consolidated financial statements, as management believes that it is not likely that an outflow of funds will be required to settle such obligations.

Management has determined that it is not practicable to estimate the amount of potential tax and import duties liabilities, relating to the current and previous financial years, which could ultimately be imposed on the SPEs or on the Group as a result of the above.

With effect from April 2006 the Group has discontinued the use of SPEs for tax minimisation purposes. The Group continues to work with SPEs which provide distribution services to the Group. From April 2006, the Group ensures that distributors used by the Group have a legitimate tax status.

The parent company of the Group, OAO Nutrinvestholding, borrows money at market interest rates and lends them to its subsidiaries at interest rates below market rate. As a result, interest paid might not be recognised as an expense by the tax authorities. Management believe such an outcome is unlikely, however the potential risk in this respect is estimated at RUR 25,000 thousand.

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.

Government subsidies redemption

Government grants have been recognised in accordance with the disclosed accounting policies. However, there is a risk that certain criteria for the provision for the grants have not been fulfilled which means that the grants, or a portion thereof, be repaid.

Capital commitments

As at 31 March 2006 and 30 September 2006 the Group was committed to capital expenditure of approximately RUR 27,420 thousand with respect to OOO “Contractor XXI” (construction of a new office building in Moscow).

22 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 interim 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.

The Group has undertaken transactions of a commercial nature, purchase and sale of goods, mostly raw milk purchases and services with companies which are indicated as a related party regarding the Group production subsidiaries. These transactions are part of the normal operations of the Group and are under normal market conditions. Transactions with related parties are listed below:

’000 RUR	**Trade receivables**	**Trade payables**	**Revenues**	**Costs**
At 30 September 2006 unaudited				
Minority shareholders of subsidiaries	7,816	14,604	3,850	59,380
Other	-	-	-	-
	7,816	**14,604**	**3,850**	**59,380**
At 31 March 2006				
Minority shareholders of subsidiaries	3,314	38,280	n/a	n/a
Other	-	-	n/a	n/a
	3,314	**38,280**	n/a	n/a
At 30 September 2005 unaudited				
Minority shareholders of subsidiaries	n/a	n/a	6,677	79,405
Other	n/a	n/a	-	-
	n/a	n/a	**6,677**	**79,405**

(a) Pricing policies

Related party transactions are based on market prices.

(b) Transactions with management and close family members

A former General Director of OAO Nutrinvestholding, acting through to September 2005, is a close family member of a controlling shareholder. The total salary, including related taxes, paid to this General Director for the six month period ended 30 September 2006 was RUR 2,460 thousand (for the six month period ended 30 September 2005: RUR 1,820 thousand).

23 Principal subsidiaries

The Company has the following investments in consolidated subsidiaries[2], incorporated in the Russian Federation, Estonia and Ukraine, as of 30 September 2006:

	% owned unaudited
OAO Nutrinvest	99.82
ZAO PTK Severnoe Moloko	93.20
OAO Zelenodolsky Molochnyi Kombinat	78.10
OAO Molochnyi Kombinat Penzensky	50.81
OAO Moloko	74.96
OAO Filimonovsky Molochno-Konservnyi Kombinat	50.81
ZAO Kompania Nutritek	100.00
OAO Sibaykonservmoloko	50.91
OAO Konservnyi Zavod Dinskoy	50.10
ZAO Molkombinat	99.82
OOO Aktiv	99.82
ZAO Biyskiy Maslo-Syrnyi Kombinat	99.82
OOO Yaroslavsky Hladokombinat	99.82
ZAO Plemzavod Zarya	92.75
OU Estmilk	100.00
AS Agro Piim	100.00
OOO Agrofirma Tverskoe	100.00
ZAO Torgovaya Kompania Nutritek	99.82
ZAO TD Slavex	100.00
ZAO Slavex-Centre	100.00
OOO Aqua-Pak	88.00
ZAO Moscovsky Zavod Detskogo Pitaniya	100.00
ZAO Khorolsky Molochno-Konservnyi Kombinat	68.31

[2] All incorporated subsidiaries close accounts for the purpose of the interim consolidation as at 30 September 2006.

23 Principal subsidiaries (continued)

The Company had the following investments in consolidated subsidiaries, incorporated in the Russian Federation, Estonia and Ukraine, as of 31 March 2006:

	% owned
OAO Nutrinvest	99.82
ZAO PTK Severnoe Moloko	93.20
OAO Zelenodolsky Molochnyi Kombinat	78.10
OAO Molochnyi Kombinat Penzensky	50.81
OAO Moloko	74.96
OAO Filimonovsky Molochno-Konservnyi Kombinat	50.81
ZAO Kompania Nutritek	100.00
OAO Sibaykonservmoloko	50.91
OAO Konservnyi Zavod Dinskoy	50.10
ZAO Molkombinat	99.82
OOO Aktiv	99.82
ZAO Biyskiy Maslo-Syrnyi Kombinat	99.82
OOO Yaroslavsky Hladokombinat	99.82
ZAO Plemzavod Zarya	70.30
OU Estmilk	100.00
AS Agro Piim	100.00
OOO Agrofirma Tverskoe	100.00
ZAO Torgovaya Kompania Nutritek	99.82
ZAO TD Slavex	100.00
ZAO Slavex-Centre	100.00
OOO Aqua-Pak	88.00
ZAO Moscovsky Zavod Detskogo Pitaniya	100.00
ZAO Khorolsky Molochno-Konservnyi Kombinat	68.31

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 the 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 13 "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 the Group's operations.

Biological risk

By virtue of the fact that biological assets are not directly a sale item, but are a mean of reception of raw material in the form of milk for the future processing management of risks is carried out through regulation of the market price for milk produced.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through adequate amounts of credit facilities. Due to the ongoing nature of the trading activities, the Group aims to maintain flexible cash reserves by ensuring sufficient credit facilities are available.

25 Events subsequent to the balance sheet date

There were no significant subsequent events after 30 September 2006.