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RUSELCO LLP AND SUBSIDIARIES

Independent Auditors' Report

Consolidated Financial Statements

Period from 15 June 2004
to 31 December 2004

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COMPANIES HOUSE

RUSELCO LLP AND SUBSIDIARIES

PARTNERSHIP INFORMATION

Partnership Number

OC308317

Registered office

Queensberry House
3 Old Burlington Street
London
W1S 3LD

Auditors

Constantin
Aldwych House
81 Aldwych
London
WC2B 4HN

RUSELCO LLP AND SUBSIDIARIES

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Convenience translation of certain financial information into thousands of US dollars

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RUSELCO LLP AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Ruselco LLP and subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated balance sheet that presents fairly the financial position of the Group at 31 December 2004 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period from 15 June 2004 to 31 December 2004 (the "consolidated financial statements"), in compliance with International Financial Reporting Standards ("IFRS").

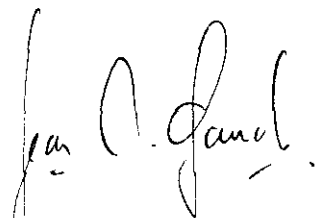
In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the period from 15 June 2004 to 31 December 2004 were approved on 2 May 2006 by:



Jean Gandar

INDEPENDENT AUDITORS' REPORT

To the Members of Ruselco LLP:

We have audited the consolidated financial statements of Ruselco LLP for the period ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with Section 235 of the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management and auditors

As described in the statement of management responsibilities the LLP's management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001. We also report to you if, in our opinion, the Management Report is not consistent with the financial statements, if the LLP has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding management remuneration and transactions with the group is not disclosed.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were unable to verify that the accounts of the subsidiary, Volgogradsky, had been independently audited.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Adverse opinion

No provision has been made for a deferred tax liability on revaluation of fixed assets of RUR 111m. If provision had been made the effect would have been to reduce the net assets as at 31 December 2004 by RUR 111m.

In view of the effect of the failure to provide for the liability referred to above, in our opinion the financial statements do not give a true and fair view of the state of the LLP and group's affairs as at 31 December 2004 and of its profit for the period then ended.

Except for any adjustments that might have been found to have been necessary had we been able to obtain sufficient evidence concerning the accounts of the subsidiary, Volgogradsky, in all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985 as modified by the Limited Liability Partnerships Regulations 2001.



Constantin
Registered Auditors

2 May 2006.

RUSELCO LLP AND SUBSIDIARIES

BALANCE SHEET AS OF 31 DECEMBER 2004

(in Russian Roubles and in thousands)

	Notes	Group	LLP
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	715,423	-
Long-term investments	5	76,152	747,246
		<u>791,575</u>	<u>747,246</u>
DEFERRED TAX ASSETS	23	2,107	-
CURRENT ASSETS:			
Biological assets		1,102	-
Inventories	6	49,416	-
Trade receivables	7	58,093	-
Other receivables and prepaid expenses	8	11,102	-
Short-term investments	9	155,614	-
Cash and cash equivalents	10	50,540	-
		<u>325,867</u>	<u>-</u>
TOTAL ASSETS		<u>1,119,549</u>	<u>747,246</u>
MEMBERS' INTERESTS AND LIABILITIES			
MEMBERS' INTERESTS:			
Members' capital	11	740,433	740,433
Accumulated retained earnings		29,284	6,813
		<u>769,717</u>	<u>747,246</u>
MINORITY INTEREST	12	266,459	-
NON-CURRENT LIABILITIES:			
Long term borrowings	13	14,137	-
Taxes payable	17	5,907	-
		<u>20,044</u>	<u>-</u>
DEFERRED TAX LIABILITIES	23	1,438	-
CURRENT LIABILITIES:			
Trade payables	15	7,508	-
Other payables	16	12,669	-
Taxes payable	17	18,768	-
Short-term borrowings	14	22,946	-
		<u>61,891</u>	<u>-</u>
TOTAL MEMBERS' INTERESTS AND LIABILITIES		<u>1,119,549</u>	<u>747,246</u>

The financial statements on pages 4 to 22 were approved by the members on 2 May 2006 and were signed on their behalf by:

Jean Gandar

The notes on pages 8 to 22 form an integral part of these consolidated financial statements.

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004 (in Russian Roubles and in thousands)

	Notes	
Revenue	18	114,880
Cost of sales	19	<u>(72,682)</u>
GROSS PROFIT		42,198
Other Operating Income		12,862
Selling, general and administrative expenses	20	<u>(22,439)</u>
OPERATING PROFIT		32,621
Loss from associates	5	(194)
Financial income, net	21	7,403
Other expenses, net	22	<u>(3,144)</u>
PROFIT BEFORE TAX		36,686
Taxation	23	<u>(4,445)</u>
PROFIT FOR THE YEAR AFTER TAX		32,241
Profit attributable to minority interest		<u>(2,957)</u>
PROFIT ATTRIBUTABLE TO MEMBERS		<u>29,284</u>

The notes on pages 8 to 22 form an integral part of these consolidated financial statements.

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004 *(in Russian Roubles and in thousands)*

	Members' capital	Accumulated retained earnings	Total
Balance as at 15 June 2004	-	-	-
Contribution to members' capital	740,433	-	740,433
Net income for the period	-	29,284	29,284
Balance as at 31 December 2004	<u>740,433</u>	<u>29,284</u>	<u>769,717</u>

The notes on pages 8 to 22 form an integral part of these consolidated financial statements.

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004 (in Russian Roubles and in thousands)

	Notes
CASH FLOWS FROM OPERATING ACTIVITIES:	
Profit before income tax and minority interest	36,686
Adjustments for:	
Financial income, net	(2,957)
Depreciation and amortization	12,369
Loss on foreign exchange	830
Increase in provision for inventory obsolescence	257
Increase in provision for doubtful receivables	1,043
Provision for legal contingencies	500
Loss from associates	194
Operating cash flow before changes in working capital	48,922
Changes in working capital:	
Increase in trade receivables	(59,136)
Increase in other receivables and prepaid expenses	(12,204)
Increase in inventories and biological assets	(49,673)
Increase in trade payables	7,508
Increase in other payables	291,922
Cash used in operating activities	227,339
Income tax paid	19,561
Interest paid	(177)
Net cash provided by operating activities	246,723
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property, plant and equipment	(727,796)
Purchase of investments	(231,766)
Net cash used in investing activities	(959,562)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of borrowings	22,946
Contributions to charter capital	740,433
Net cash provided by financing activities	763,379
NET INCREASE IN CASH	50,540
CASH, beginning of the period	-
CASH, end of the period	10 50,540

The notes on pages 8 to 22 form an integral part of these consolidated financial statements.

RUSELCO LLP AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 30 SEPTEMBER 2004 TO 31 DECEMBER 2004 (in Russian Roubles and in thousands)

1. GENERAL

Ruselco LLP ("LLP"), was formed in agreement as a limited liability Partnership under the Limited Liability Partnerships Act 2000 of England and Wales on 15 June 2004. The two members are Sungrain Holdings S.A. (Incorporated in Switzerland) and Agro-Industrial Complex (Incorporated in Russia).

LLP started operations on 30 September 2004 and has its registered address at Queensbury House, 3 Old Burlington Street, London, UK, 1S 3LD.

The Group comprises LLP and its subsidiaries as follows:

Name of partners	Activity	Percentage holding 31.12.2004	Real storage capacity in metric tonnes
Russkaya Elevatornaya Kompania LLC	Holding Company	100,00%	0
Tatsynsky elevator OJSC	Grain storage and processing	86,82%	102,060
Korenovsky elevator OJSC	Grain storage and processing	98,36%	92,700
Divensky elevator OJSC	Grain storage and processing, live-stock farming	73,08%	197,200
Ipatovsky elevator OJSC	Grain storage and processing, sale of grain	50,01%	195,200
Blagodamensky elevator OJSC	Grain storage and processing, live-stock farming	88,64%	210,100
Zerno OJSC	Grain storage and processing	51,00%	65,800
Novopavlovsky elevator OJSC	Grain storage and processing	50,54%	115,300
Tresvyatskoe Khlebopriyomnoe OJSC	Grain storage and processing	80,13%	40,000
Khlebnaya Baza Povorino OJSC	Grain storage and processing	57,31%	105,320
Volgagrain S.A., including its Russian subsidiary, OOO Vologradsky	Grain storage and processing	75,00%	89,650

All Partners (except Volgagrain S.A.) are incorporated in Russia. Volgagrain S.A is incorporated in Switzerland.

As at 31 December 2004 the Group employed approximately 1,132 people.

Concentration of Business Risk – The Group's business activities are within Russia. Laws and regulations affecting businesses operating in Russia are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

2. PRESENTATION OF FINANCIAL STATEMENTS

Basis of Presentation – The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Group companies maintain their accounting records in Russian Roubles. Russian statutory accounting principles and procedures differ substantially from those generally accepted under IFRS. Accordingly, the accompanying consolidated financial statements, which have been prepared from the Group entities'

Russian statutory accounting records, reflect adjustments necessary for the financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared under the historical cost convention.

Use of Estimates and Assumptions – The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from these estimates.

Measurement and Reporting Currency – The management of the Group designated the Russian Rouble as the measurement and reporting currency of the Group.

For information purposes only, the Group has chosen to present the US dollar (“USD”) equivalent of the consolidated balance sheet, statements of income, cash flows and changes in shareholders’ equity as supplemental information not forming part of the audited consolidated financial statements. Translation from Russian Roubles (“RUR”) into USD was made at the closing rate existing at 31 December 2004. The relevant exchange rate as quoted by the Central Bank of the Russian Federation was USD 1 = RUR 27.75.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation – The consolidated financial statements incorporate the financial statements of LLP and its subsidiaries. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from their date of disposal.

The financial statements of the subsidiaries are prepared for the same reporting period as those of LLP.

The assets and liabilities of all subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

Investments in Associates – An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results and the assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognize any impairment in the value of individual investments.

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

Foreign Currency Transactions – Transactions in currencies other than the measurement currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the consolidated income statement.

Revenue Recognition – Revenue from the sale of goods is accounted for at the time when shipment of the related goods occurs and the transfer of risks and rewards are completed regardless of when cash or its equivalents is received or paid, and are reported in the consolidated income statement in the period to which it relates.

Financial Assets – Financial assets are classified into the following categories: held-to-maturity, trading, available-for-sale and loans and receivables originated by the enterprise. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading. All other investments are classified as available-for-sale.

Trade and Other Receivables – Trade and other receivables originated by the Group are measured at gross invoice value less provision for doubtful debts where considered appropriate.

Trade and Other Payables – Liabilities for trade and other amounts payable are stated at their nominal value.

Inventories – Inventories are valued at the lower of cost or net realisable value. Cost is determined by the weighted average method. Inventories are reported net of provisions for slow moving or obsolete items.

Cash and Cash Equivalents – Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Property, Plant and Equipment – Property, plant and equipment is stated at cost.

Cost includes major expenditures for improvements and replacements, which extend useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the income statement as incurred. The carrying value of property, plant and equipment, as determined above, less expected residual value, is depreciated on a straight-line basis over the estimated useful economic lives of the related assets, which are:

Description	Useful Life (Years)
Buildings	20
Machinery and equipment	7
Other fixed assets	3-7

Construction in progress comprises costs directly related to the construction and acquisition of property, plant and equipment plus an appropriate allocation of variable and fixed overheads that are incurred in construction. Construction in progress is depreciated once the asset is put into operation.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the income statement.

Income Taxes – Income taxes are computed in accordance with the laws of the relevant tax jurisdiction. The charge for current tax is calculated using income tax rates enacted for the year.

Deferred Income Taxes – Deferred tax assets and liabilities are calculated in respect of temporary differences in accordance with International Accounting Standard No. 12 “Income Taxes” (“IAS 12”).

IAS 12 requires the use of the balance sheet liability method for financial reporting and accounting for deferred income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax liability, if any, is provided for in full. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the asset is to be realised or the liability settled, based on the tax rates that have been enacted at the balance sheet.

Retirement Benefit Costs – The Group contributes to the state pension, medical and social insurance and employment funds on behalf of all its current employees. Any related expenses are recognised in the income statement as incurred. Contributions to the Russian Federation state pension fund are recorded in the consolidated income statement on an accrual basis.

Related Parties – Related parties are those counterparties that represent:

- Enterprises, that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group. This includes, but is not limited to, holding companies, subsidiaries and fellow subsidiaries;
- Enterprises over which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor. This includes associates;
- Individuals owning, directly or indirectly, an interest in the voting power of the Group, which gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group;
- Key management personnel, namely persons with authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close family members of such individuals; and
- Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors, partners or shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related-party relationship, attention is paid to the substance of the relationship, and not merely the legal form.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery & equipment	Other assets	CIP	Total
Cost						
At 15 June 2004	-	-	-	-	-	-
Additions	-	994	2,666	1,015	1,648	6,323
Contribution to LLP	111	544,000	160,692	10,775	6,396	721,974
Disposals	-	(276)	(206)	(33)	(29)	(544)
Transfer	-	1,793	35	1,210	(3,038)	-
At 31 December 2004	111	546,511	163,187	12,967	4,977	727,753
Accumulated Depreciation						
Charge for the period	-	(7,861)	(3,810)	(698)	-	(12,369)
Disposals	-	12	25	2	-	39
At 31 December 2004	-	(7,849)	(3,785)	(696)	-	(12,330)
Net Book Value						
At 15 June 2004	-	-	-	-	-	-
At 31 December 2004	111	538,662	159,402	12,271	4,977	715,423

Other fixed assets consist of transmission devices, transport, computers and office equipment, and other relatively small groups of fixed assets.

Certain fixed assets of the Company's subsidiaries were idle in the period from 30 September 2004 to 31 December 2004. Net book value of such fixed assets as of 31 December 2004 is 14,737 thousand roubles. The management of the Group believes that these idle fixed assets will be used in operations in foreseeable future. Therefore, depreciation does not cease on these idle fixed assets unless the asset is fully depreciated.

5. LONG-TERM INVESTMENTS

Group

Long-term investments as of 31 December 2004 consisted of the following:

	2004	%
Investments in associates:		
Pallasovsky elevator OJSC	50,704	35.91%
Elevator OJSC	25,102	29.58%
	75,806	
Available-for-sale investments in non-marketable equity shares:		
Bank "Blagodarnensky"	150	6.10%
Bank "Ipatievsky"	141	5.48%
Other investments in shares	55	-
	346	
Total long – term investments	76,152	

Associated companies as of 31 December 2004 are as follows:

Cost of investments	76,000
Share of post-acquisition loss of associates	(194)
	75,806

Consisting of:

Name of associate	Place of incorporation	Principal activity
Pallasovsky elevator OJSC	The Russian Federation	Grain storage and processing
Elevator OJSC	The Russian Federation	Grain storage and processing

LLP

Consisting of:

Cost of investments	704,511
Long term loan to subsidiary (Unspecified duration at 6.5% per annum)	42,735
	<u>747,246</u>

Name of subsidiary	Place of incorporation	Principal activity
Russian Elevator Company	The Russian Federation	Grain storage and processing
Volgagrain	Switzerland	Grain storage and processing

6. INVENTORIES

Inventories as of 31 December 2004 consisted of the following:

	2004
Finished goods and goods for resale	35,468
Raw materials	14,205
Less: provision for obsolescence	(257)
	<u>49,416</u>

7. TRADE RECEIVABLES

Trade receivables as of 31 December 2004 consisted of the following:

	2004
Trade receivables from third parties	57,243
Trade receivables from related parties	6,349
Less: provision for doubtful receivables	(5,499)
	<u>58,093</u>

8. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses as of 31 December 2004 consisted of the following:

	2004
Taxes recoverable	3,626
Advance paid – third parties	2,700
Other receivables – third parties	3,244
Unpaid Capital	1,228
Prepaid expenses	968
Less: provision for doubtful receivables	(664)
	<u>11,102</u>

Advances paid comprise advances to suppliers of raw materials, services and utilities.

9. SHORT-TERM INVESTMENTS

Short-term investments as of 31 December 2004 consisted of the following:

	2004
Available-for-sale investments in promissory notes	
Issued by third parties:	
Ministry of Finance of Russian Federation	50
Available-for-sale investments in promissory notes	
Issued by related parties:	
OJSC "Korenovsky elevator"	34,346
Held for sale	
OJSC "Korenovsky elevator"	115,000
Loans receivable from third parties	
Others	6,218
	<u>155,614</u>

In the period 15 June 2004 to 31 December 2004 the Group classified investments in OJSC "Korenovsky elevator" as held for sale measured at cost. In 2005 this investment was sold (Note 27).

Investments in the promissory notes are classified as available-for-sale. Promissory notes bear interest of 15% per annum. Investments in promissory notes are recorded at amortized cost due to the absence of quoted market prices in an active market and the fact that the fair value of the promissory notes cannot be reliably measured. In 2005 these promissory notes were sold (Note 27).

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2004 consisted of the following:

	2004
Cash on hand	2,570
Deposits	15,000
Cash in bank – third party	32,970
	<u>50,540</u>

Deposits represent deposits held in the Severo-Kavkazsky branch of Sberbank of the Russian Federation by the Company's subsidiary "Ipatovsky elevator" OJSC.

11. MEMBERS' CAPITAL

This represents amounts contributed by the members at the date of incorporation of the LLP.

12. MINORITY INTEREST

As of 15 June 2004	-
Minority interest at contribution of subsidiaries	263,818
Share of net income of subsidiaries	2,641
As of 31 December 2004	<u>266,459</u>

13. LONG TERM BORROWINGS

This relates to a loan of \$510,000 to be repaid at any time at the request of either party. Interest is charged at the rate of 6.5% per annum.

14. SHORT TERM BORROWINGS

Short-term borrowings as of 31 December 2004 consisted of the following:

	2004
Bank Loans	
International Moscow Bank	8,325
Non-bank loans	
Louis Dreyfus Vostok LLC	13,696
FKK Roskhleboproduct	740
Other loans	185
	<u>22,946</u>
	2004
The average interest rates paid were as follows:	
Bank loans	LIBOR + 5%
Non-bank loans	4.11%-10%

The main details of the Group's borrowings are as follows:

Bank loans

The Group's subsidiary "Tatsinsky elevator" OJSC received a loan of 350 thousand US dollars (9,712 thousand roubles at the exchange rate established by the Central Bank of the Russian Federation as of 31 December 2004) from the International Moscow Bank ("IMB") bearing interest of LIBOR + 5% per annum. The loan is repayable in June 2005 and was paid in full on 20 June 2005 (Note 26). The loan was received under the guarantee of Louis Dreyfus Group. As of 31 December 2004 no Group assets had been pledged as collateral for this loan.

Non-bank loans

The Group's subsidiary "Tatsinsky elevator" OJSC obtained a loan of 180 thousand US dollars (4,995 thousand roubles at the exchange rate established by the Central Bank of the Russian Federation as of 31 December 2004) from Louis Dreyfus Vostok, a related party of the Group. The loan bears interest of 4.11% per annum and is repayable in December 2005.

The Group's subsidiary "Khlebnaya Baza Povorino" OJSC obtained a loan of 700 thousand roubles from FKK Roskhleboproduct, not a related party of the Group. The loan was obtained in 2001 and was due in one year, i.e. in 2002, but was not repaid at the due date. The loan bears interest of 10% per annum.

The Group's subsidiary "Divensky elevator" OJSC obtained two loans totalling 185 thousand roubles from two individuals, not related parties of the Group. These loans bear no interest and are repayable in December 2005.

15. TRADE PAYABLES

Trade payables as of 31 December 2004 consisted of the following:

	2004
Trade accounts payable – third parties	3,939
Trade accounts payable – related parties	3,569
	<u>7,508</u>

16. OTHER PAYABLES

Other payables as of 31 December 2004 consisted of the following:

	2004
Advances received from customers	5,758
Salaries payable	3,326
Dividends payable	508
Other accounts payable – third parties	3,077
	<u>12,669</u>

17. TAXES PAYABLE

Taxes payables as of 31 December 2004 consisted of the following:

	2004
Income tax	4,143
Value added tax	7,964
Unified social tax (Pension fund)	3,663
Other taxes	8,905
Less: long-term portion (payable in 2006-2011)	(5,907)
	<u>18,768</u>

Taxes payable include taxes fines and penalties payable as per restructuring acts signed by the Company's subsidiary "Khlebnaya Baza Povorino" OJSC with the tax authorities (7,731 thousand roubles) and penalties payable by "Tresvyatskoe Khlebopriyomnoe" OJSC (2,368 thousand roubles).

Accrued liabilities are payable as follows:

Due in 2005	4,192
Due in 2006	909
Due in 2007	389
Due in 2008	1,152
Due in 2009	1,152
Due in 2010	1,152
Due in 2011	1,153
Total	<u>10,099</u>

18. REVENUE

Revenue for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Grain storage services	96,165
Sales of grain	12,182
Other sales	6,533
	<u>114,880</u>

Other sales comprise agent fees, sales of biological produce, and sales of services.

19. COST OF SALES

Cost of sales for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Grain storage services	56,140
Sales of grain	12,783
Other sales	3,759
	<u>72,682</u>

Cost of sales for the period from 15 June 2004 to 31 December 2004, aggregated according to their nature, comprised the following:

	2004
Salaries and related taxes	19,129
Depreciation	17,115
Cost of goods for resale	12,783
Purchase of services	12,333
Raw materials	10,284
Other	1,038
	<u>72,682</u>

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Salaries and related taxes	12,952
Purchase of services	4,331
Taxes	1,277
Provision for doubtful receivables	1,106
Raw materials	799
Provision for contingent liabilities	535
Provision for inventory obsolescence	272
Other expenses	1,167
	<u>22,439</u>

Purchases of services include the amount of 604 thousand of Roubles of consulting services from Group's related party Louis Dreyfus Vostok (Note 24).

Other expenses include social, insurance, certification expenses, expenses for consulting services, legal services, employee improvement costs, representative expenses and other expenses.

21. FINANCIAL INCOME, NET

Financial income for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Interest expense	(298)
Currency exchange income, net	6,813
Interest income	888
	<u>7,403</u>

22. OTHER EXPENSES, NET

Other expenses for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Property tax	780
Tax penalties	758
Welfare	222
Bank services	144
Loss on sales of materials	9
Other expenses	1,231
	<u>3,144</u>

23. TAXATION

The Group provides for taxes based on the statutory financial statements, which are maintained and prepared in local currency and in accordance with local statutory regulations which may differ from IFRS.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Income tax expense for the period from 15 June 2004 to 31 December 2004 comprised the following:

	2004
Current income tax expense	(6,594)
Deferred income tax benefit	2,149
Total income tax expense	<u>(4,445)</u>

A reconciliation of expected income tax expense to actual tax expense for the period from 15 June 2004 to 31 December 2004 is as follows:

	2004
Profit before income tax	36,686
Theoretical income tax expense (at statutory tax rate of 24%)	(8,805)
Other permanent differences	4,360
Income tax expense	<u>(4,445)</u>

Deferred tax assets as of 31 December 2004 consisted of the following:

	2004
Trade receivables valuation	1,435
Other receivables valuation	430
Trade Payables	60
Other payables	119
Other	63
Deferred tax assets	<u>2,107</u>

Deferred tax liabilities as of 31 December 2004 consisted of the following:

	2004
Property, plant and equipment valuation	(1,281)
Loans	(157)
Deferred tax liabilities	<u>(1,438)</u>

24. RELATED-PARTY TRANSACTIONS

During the period from 30 September 2004 to 31 December 2004 the Group entered into a variety of transactions with related parties.

Outstanding balances receivable from / payable to related parties as at December 31, 2004 are as follows:

Related party	Nature of relationship	Investments	Accounts receivable	Loans payable	Accounts payable
Korenovsky elevator	Controlled investee held for sale	149,346	-	-	-
Yugkhlebproduct	Member of Agros Group	2	15,448	-	-
APH Voronezh	Member of Agros Group	-	4,277	-	-
Agroskhlebproduct	Member of Agros Group	-	3,050	-	1,058
Roskhlebproduct	Member of Agros Group	-	3,000	-	1,631
Louis Dreyfus Vostok	Member of Sungrain Holding Group	-	1,221	5,102	684
Smolensky kombinat khleboproductov	Member of Agros Group	-	672	-	52
Agroskhleborob	Member of Agros Group	-	155	-	-
Stavropolskiy broiler	Member of Agros Group	-	15	-	-
Agrobuiding	Member of Agros Group	-	-	-	196
Total		149,348	27,838	5,102	3,621

Transactions with related parties for the period from 15 June 2004 to 31 December 2004 include the following:

Related party	Nature of relationship	Sales	Purchase of goods, works, services	Interest income	Interest expense
Louis Dreyfus Vostok	Member of Sungrain Holding Group	4,837	604	-	53
Roskhlebproduct	Member of Agros Group	4,547	-	-	-
Yugkhlebproduct	Member of Agros Group	2,782	-	-	-
Smolensky kombinat khleboproductov	Member of Agros Group	2,459	-	-	-
RHP Chernioziomie	Member of Agros Group	2,439	-	-	-
Agroskhlebproduct	Member of Agros Group	1,765	223	-	-
Agroskhleborob	Member of Agros Group	131	-	-	-
Stavropolskiy broiler	Member of Agros Group	13	-	-	-
Agrobuiding	Member of Agros Group	-	166	-	-
Korenovsky elevator	Controlled investee held for sale	-	-	1,172	-
Total		18,973	993	1,172	53

25. PENSIONS AND RETIREMENT PLANS

Contributions are made to the Russian state social and medical insurance and retirement benefit schemes at the statutory rates in force during the year. During the year all social contributions, including contributions to the pension fund, were substituted with a unified social tax ("UST") calculated by the application of a regressive rate from 35.6% to 2% of the annual gross remuneration of each employee. UST is allocated to three social funds, including the pension fund, where the rates of contribution to the pension fund vary between 28% to 2%, depending on the annual gross salary of each employee. The contributions are expensed as incurred. As of 31 December 2004, the Group was not liable for any supplementary pensions, post retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

26. CONTINGENCIES

Taxation Contingencies in the Russian Federation

The taxation system in the Russian Federation is at a relatively early stage of development, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The Government of the Russian Federation has recently commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax laws. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with the practical application of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system, that may be applied retrospectively by authorities, could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to issues of interpretation. This uncertainty may expose the Group to additional taxation, fines and penalties, that could be significant.

Russian Federation Risk

Over the past decade the Russian Federation has undergone substantial political, economic and social changes. As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure that would generally exist in a more mature market economy.

The current Government is attempting to address these issues, however, it has not yet fully implemented the reforms necessary to create banking, judicial and regulatory systems that usually exist in more developed markets. As a result operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. Such risks persist in the current environment with results that include, but are not limited to, a currency that is not freely convertible outside of the country, various currency controls, low liquidity levels for debt and equity markets, and continuing inflation. Furthermore, substantially all privatisations in the Russian Federation in the early 1990's were flawed in some manner, and even the most minor administrative flaw in the privatisation documents may be invoked as a basis for challenging the validity of the privatisation process as a whole and thus the title to assets acquired as a result of privatisation. The environment is such that the state, local authorities and administration, the former owners of property and other interested parties can attempt to obstruct normal business operations of a company. Accordingly, the stability and success of the Group's business, will depend upon the Government's ability to institute supervisory, judicial and other regulatory reforms.

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its production, processing and transportation facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Management understands that until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

27. SUBSEQUENT EVENTS

Sale of shares in "Korenovsky elevator" OJSC

On 19 January 2005 the Company sold its 98,36% shares (12,456 shares) in "Korenovsky elevator" OJSC ("Korenovsky elevator") to a third party – "AgroKuban Resurs" LLC (Russian Federation), together with the sale of 15%-interest bearer notes issued by Korenovsky elevator of 1,245,763.78 US dollars (34,346 thousand of Roubles) to a third party "Yug AgroBisness" LLC (Russian Federation) for the same amount paid in cash, and the transferring of accounts receivable from Korenovsky elevator to "Yug AgroBisness" LLC (Russian Federation).

Disposal of investments in non-marketable equity shares

On 30 June 2005 the Company's subsidiary "Ipatovsky elevator" OJSC sold its 5,48% shares in Bank "Ipatievsky" to a third party – Bank "Ipatievsky" (Russian Federation) at book value (Note 9).

Repayment of a loan

On 20 June 2005 the Company's subsidiary "Tatsinsky elevator" OJSC repaid a loan of 350 thousand US dollars to the International Moscow Bank ("IMB") (Note 13).

28. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

The Company's voting and ownership interest in significant subsidiaries as of 31 December 2004 is as follows:

Operating entity	2004	
	Ownership, %	Voting, %
Tatsynsky elevator OJSC	86,82%	86,82%
Korenovsky elevator OJSC	98,36%	98,37%
Divensky elevator OJSC	73,08%	73,08%
Ipatovsky elevator OJSC	50,01%	50,01%
Blagodarnensky elevator OJSC	88,64%	88,72%
Zerno OJSC	51,00%	51,01%
Novopavlovsky elevator OJSC	50,54%	50,54%
Tresvyatskoe Khlebopriyomnoe OJSC	80,13%	80,13%
Khlebnaya Baza Povorino OJSC	57,31%	57,31%

RUSELCO LLP AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION NOT FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Convenience translation of certain financial information into thousands of US dollars

For the convenience of users of the consolidated financial statements, the Group has chosen to present its consolidated financial statements in US dollars. Translation of the balance sheet items and the items in the statements of income, cash flows and changes in shareholders' equity from Russian Roubles ("RUR") into US dollars ("USD") was made at the closing rate existing at 31 December 2004. The relevant exchange rate as quoted by the Central Bank of the Russian Federation was USD 1 = RUR 27.75.

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2004

(Convenience translation into thousands of US dollars – unaudited)

	2004 (unaudited)
ASSETS	
NON-CURRENT ASSETS:	
Property, plant and equipment	25,781
Long-term investments	2,744
	<u>28,525</u>
DEFERRED TAX ASSETS	76
CURRENT ASSETS:	
Biological assets	40
Inventories	1,781
Trade receivables	2,093
Other receivables and prepaid expenses	400
Short-term investments	5,608
Cash and cash equivalents	1,821
	<u>11,743</u>
TOTAL ASSETS	<u>40,344</u>
MEMBERS' INTERESTS AND LIABILITIES	
MEMBERS' INTERESTS:	
Members' capital	26,682
Accumulated retained earnings	1,055
	<u>27,737</u>
MINORITY INTEREST	9,602
NON-CURRENT LIABILITIES:	
Long term borrowings	509
Taxes payable	213
	<u>722</u>
DEFERRED TAX LIABILITIES	52
CURRENT LIABILITIES:	
Trade payables	271
Other payables	457
Taxes payable	676
Short-term borrowings	827
	<u>2,231</u>
TOTAL MEMBERS' INTERSTS AND LIABILITIES	<u>40,344</u>

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004 (Convenience translation into thousands of US dollars – unaudited)

	30 September to 31 December 2004 (unaudited)
Revenue	4,140
Cost of sales	<u>(2,619)</u>
GROSS PROFIT	1,521
Other operating income	463
Selling, general and administrative expenses	<u>(809)</u>
OPERATING PROFIT	1,175
Loss from associates	(7)
Financial income, net	267
Other expenses, net	<u>(113)</u>
PROFIT BEFORE TAX	1,322
Taxation	<u>(160)</u>
PROFIT FOR THE YEAR	1,162
Profit attributable to minority interest	<u>(107)</u>
PROFIT ATTRIBUTABLE TO MEMBERS	<u>1,055</u>

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004

(Convenience translation into thousands of US dollars – unaudited)

	Charter capital (unaudited)	Accumulated retained earnings (unaudited)	Total (unaudited)
Balance as at 30 September 2004	-	-	-
Contribution to charter capital	26,682	-	26,682
Net income for the period	-	1,055	1,055
Balance as at 31 December 2004	<u>26,682</u>	<u>1,055</u>	<u>27,737</u>

RUSELCO LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 15 JUNE 2004 TO 31 DECEMBER 2004

(Convenience translation into thousands of US dollars – unaudited)

	Notes	30 September to 31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax and minority interest		1,322
Adjustments for:		
Financial income, net		(107)
Depreciation and amortization		445
Loss on foreign exchange		30
Increase in provision for inventory obsolescence		9
Increase in provision for doubtful receivables		38
Provision for legal contingencies		18
Loss from associates		7
Operating cash flow before changes in working capital		1,762
Changes in working capital:		
Increase in trade receivables		(2,131)
Increase in other receivables and prepaid expenses		(440)
Increase in inventories and biological assets		(1,790)
Increase in trade payables		271
Increase in other payables		10,520
Cash used in operating activities		8,192
Income tax paid		705
Interest paid		(6)
Net cash provided by operating activities		8,891
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		(26,227)
Purchase of investments		(8,352)
Net cash used in investing activities		(34,579)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of borrowings		827
Contributions to charter capital		26,682
Net cash provided by financing activities		27,509
NET INCREASE IN CASH		1,821
CASH, beginning of the period		-
CASH, end of the period		1,821