Dorinda Holding S.A.

Consolidated Financial Statements for the year ended 31 December 2009

(with the report of the Réviseur d'Entreprises Agréé thereon)

23, rue Beaumont

L-1219 Luxembourg

R.C.S. Luxembourg B.80.533

KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

To the Shareholders of
DORINDA HOLDING S.A.
23, rue Beaumont
L-1219 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of DORINDA HOLDING S.A., which comprise the consolidated statement of financial position as at December 31, 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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T.V.A. LU 20379877
Capital 25.000 €
R.C.S. Luxembourg B 103590

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

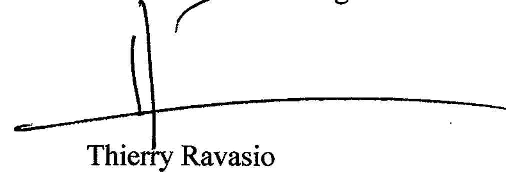
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of DORINDA HOLDING S.A. as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, June 10, 2010

KPMG Audit S.à r.l.
Cabinet de révision agréé



Thierry Ravasio

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'000 RUR	Note	2009	2008
ASSETS			
Non-current assets			
Investment Property	15	1 567 424	1 041 642
Property, plant and equipment	13	18 995 363	17 337 092
Construction in progress	13	974 042	1 647 007
Intangible assets	14	481 426	283 936
Long-term loans issued		9 362	1 039
Deferred tax asset	17	243 107	176 226
Other non-current assets	16	3 622 627	3 999 844
Total non-current assets		**25 893 351**	**24 486 786**
Current assets			
Inventories	18	5 145 489	3 940 604
Trade and other receivables	19	980 402	1 531 512
Prepayments for current assets		463 162	316 812
Short-term loans issued		1 724	588
Cash and cash equivalents	20	1 462 312	1 673 466
Total current assets		**8 053 089**	**7 462 982**
Total assets		**33 946 440**	**31 949 768**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	Note	2009	2008
EQUITY AND LIABILITIES			
Equity	21	**7 135 792**	**6 289 530**
Non-current liabilities			
Loans and borrowings	23	9 026 488	4 325 512
Deferred income tax liability	17	392 541	250 310
Deferred income		1 108	3 768
Other non-current liabilities		-	26 395
Total non-current liabilities		**9 420 137**	**4 605 985**
Current liabilities			
Loans and borrowings	23	6 439 677	10 767 769
Trade and other payables	24	10 800 614	10 152 275
Current income tax payable		150 220	123 524
Deferred income		-	10 685
Total current liabilities		**17 390 511**	**21 054 253**
Total liabilities		**26 810 648**	**25 660 238**
Total equity and liabilities		**33 946 440**	**31 949 768**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	**Note**	**2009**	**2008**
Revenue	6	67 874 615	51 142 680
Cost of goods sold		(53 106 388)	(40 381 622)
Gross profit		**14 768 227**	**10 761 058**
General, selling and administrative expenses	7	(10 303 667)	(7 381 061)
Other operating income and expenses	8	(846 307)	(3 831 712)
Operating profit/(loss)		**3 618 253**	**(451 715)**
Finance income	10	37 791	33 698
Finance costs	10	(1 683 931)	(1 036 560)
Foreign exchange losses	11	(320 812)	(1 820 809)
Profit/(loss) before income tax		**1 651 301**	**(3 275 386)**
Income tax (expense)/benefit	12	(936 879)	343 698
Profit/(loss) for the year		**714 422**	**(2 931 688)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		30 063	(23 471)
Revaluation of property, plant and equipment	13	(47 300)	(1 986 070)
Change in fair value of hedges	26	22 266	(153 675)
Income tax on other comprehensive income	12	5 007	695 693
Other comprehensive income for the year, net of income tax		**10 036**	**(1 467 523)**
Total comprehensive income for the year		**724 458**	**(4 399 211)**
Earnings per share			
Basic and diluted earnings per share (RUR)	22	**6 621**	**(945 706)**

Approved for issue and signed on 10 June 2010.

______________________	______________________	______________________
Schneider G. Member of Administrative Board	Schaeffer N. Member of Administrative Board	Pryanikov D.N. Financial Director

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Revaluation reserve	Translation reserve	Total equity
Balance at 1 January 2008		**1 027**	**111**	**2 923 135**	-	**1 829 691**	**5 094 472**	**99 844**	**9 948 280**
Total comprehensive income for the year									
Loss for the year		-	-	-	-	(2 931 688)	-	-	**(2 931 688)**
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	-	(23 471)	**(23 471)**
Revaluation of property, plant and equipment	13	-	-	-	-	-	(1 986 070)	-	**(1 986 070)**
Change in fair value of hedges	26	-	-	-	(153 675)	-	-	-	**(153 675)**
Income tax on other comprehensive income	12	-	-	-	30 735	-	664 958	-	**695 693**
Total other comprehensive income		-	-	-	**(122 940)**	-	**(1 321 112)**	**(23 471)**	**(1 467 523)**
Total comprehensive income for the year		-	-	-	**(122 940)**	**(2 931 688)**	**(1 321 112)**	**(23 471)**	**(4 399 211)**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Contributions from shareholders	21	-	-	740 461	-	-	-	-	**740 461**
Total contributions by and distributions to owners		-	-	740 461	-	-	-	-	**740 461**
Balance at 31 December 2008		**1 027**	**111**	**3 663 596**	**(122 940)**	**(1 101 997)**	**3 773 360**	**76 373**	**6 289 530**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Revaluation reserve	Translation reserve	Total equity
Balance at 1 January 2009		**1 027**	**111**	**3 663 596**	**(122 940)**	**(1 101 997)**	**3 773 360**	76 373	6 289 530
Total comprehensive income for the year									
Profit for the year		-	-	-	-	714 422	-	-	714 422
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	-	30 063	**30 063**
Revaluation of property, plant and equipment	13	-	-	-	-	-	(47 300)	-	**(47 300)**
Change in fair value of hedges	26	-	-	-	22 266	-	-	-	**22 266**
Income tax on other comprehensive income	12	-	-	-	(4 453)	-	9 460	-	**5 007**
Total other comprehensive income		-	-	-	**17 813**	-	**(37 840)**	**30 063**	**10 036**
Total comprehensive income for the year		-	-	-	**17 813**	**714 422**	**(37 840)**	**30 063**	**724 458**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of shares	21	108 788	-	13 016	-	-	-	-	**121 804**
Total contributions by and distributions to owners		108 788	-	13 016	-	-	-	-	**121 804**
Balance at 31 December 2009		**109 815**	**111**	**3 676 612**	**(105 127)**	**(387 575)**	**3 735 520**	**106 436**	**7 135 792**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	Note	2009	2008
Cash flows from operating activities			
Profit/(loss) before income tax		1 651 301	(3 275 386)
Adjustments for:			
Depreciation and amortisation	13, 14, 16	1 361 306	1 128 353
Loss/(gain) on disposal of property, plant and equipment, investment property	8	37 321	(148 513)
Loss from revaluation of investment property	15	81 215	789 185
Impairment of non-current assets	13, 14, 16	134 445	469 000
Revaluation of property, plant and equipment	13	618 078	2 591 741
Finance income	10	(37 791)	(33 698)
Finance costs	10	1 683 931	1 036 560
Foreign exchange losses less gains	11	320 812	1 796 141
Cash from operating activities before changes in working capital and provisions		**5 850 618**	**4 353 383**
Change in net trade and other receivables		231 646	689 756
Change in carrying values of inventories		(1 204 885)	(1 326 724)
Change in trade and other payables		675 396	3 223 910
Change in deferred income		(13 345)	(16 033)
Cash flows from operations before income taxes and interest paid		**5 539 430**	**6 924 292**
Interest paid		(1 933 703)	(1 431 160)
Income tax paid		(733 479)	(908 491)
Net cash from operating activities		**2 872 248**	**4 584 641**
Cash flows from investing activities			
Purchase of property, plant and equipment and initial cost of land lease		(3 221 703)	(4 743 301)
Purchase of lease rights		(46 624)	(444 851)
Purchase of other intangible assets		(65 876)	(54 722)
Proceeds from sales of property, plant and equipment and investment property		16 256	186 101
Proceeds from repayment of loans issued		-	69 140

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

'000 RUR	**Note**	**2009**	**2008**
Interest received		28 332	33 698
Net cash used in investing activities		**(3 289 615)**	**(4 953 935)**
Cash flows from financing activities			
Proceeds from borrowings		17 166 280	11 399 452
Repayment of borrowings		(17 125 503)	(10 901 521)
Issue of shares		121 804	-
Repayment of finance lease payables		(34 236)	(51 850)
Net cash from financing activities		**128 345**	**446 081**
Net (decrease)/increase in cash and cash equivalents		**(289 022)**	**76 787**
Cash and cash equivalents at beginning of year		1 673 466	1 557 456
Effect of exchange rate fluctuations on cash and cash equivalents		77 868	39 223
Cash and cash equivalents at end of year	20	**1 462 312**	**1 673 466**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 63.

1 Background

(a) Organisation and operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union for the year ended 31 December 2009 for Dorinda Holding S.A. (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated and is domiciled in Luxembourg. The Company was set up in accordance with Luxembourg regulations. The main part of the Group is located and conducts its business in the Russian Federation.

The Group is ultimately controlled by four individuals, Mr.Korzhev, Mr.Troitsky, Mr.Volchek and Mr.Teder ("the shareholder group"), who have the power to direct the transactions of the Group at their own discretion and for their own benefits. They also have a number of other business interests outside of the Group. Related party transactions are detailed in Note 30.

The Group's principal business activity is operation of retail chain in Russia under brand name "O'Key". At 31 December 2009 the Group operated 46 stores (31 December 2008: 37 stores).

The Company's registered address is: Luxembourg 23, rue Beaumont, L-1219 Luxembourg.

(b) Business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and were authorised for issue by the Board of Directors on 10 June 2010.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following:

- Derivative financial instruments are stated at fair value;

- Land, buildings and investment property are remeasured at fair value.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Russian Roubles.

The results and financial position of the Group entities, which functional currencies are different from Russian Roubles, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the year end;
- profit and loss items for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as translation reserve in equity.

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances were USD 1 = RUR 30.2442; EUR 1 = RUR 43.3883 (2008: USD 1 = RUR 29.3804; EUR 1 = RUR 41.4411).

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. The major part of the tax burden refers to Russian tax, currency and customs legislation, which is subject to varying interpretations. Refer to note 12.

Impairment of non-current assets. The recoverable amount of non-current assets is determined as the higher of fair value less costs to sell and value in use. The details are set out in notes 14 and 16.

Revenue recognition. The Group has recognised revenue amounting to RUR 67 031 million for sales of goods during 2009 (2008: RUR 50 274 million). According to the Group's policy customers has the right to return the goods if they are dissatisfied. The Group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 0.1%, which is considered immaterial for recognition of a corresponding provision.

Deferred tax asset recognition. The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the consolidated balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments and applies estimation based on the expectations of future income that are believed to be reasonable under the circumstances.

Assumptions in revaluing land and buildings and investment properties. Fair value of the Group's land and buildings and investment property is determined by registered independent appraisers with appropriate recognised professional qualification and recent experience in the location and type of the property valued. The detailed approaches are outlined in note 13.

Going concern. Management believes that the Group has sufficient financial arrangements to continue as a going concern. In making this judgement management considered current intentions and financial position of the Group and does not believe that there are material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The main details of management's analysis are outlined in note 26.

(e) Changes in accounting policies and presentation

With effect from 1 January 2009, the Group changed its accounting policies in the following areas:

- presentation and measurement of investment property under construction;
- determination and presentation of operating segments;
- presentation of earnings per share; and
- presentation of financial statements.

(i) Presentation and measurement of investment property under construction

Since 1 January 2009 the Group classifies investment property under construction as investment property and measures it at fair value, unless there is clear evidence that the fair value of investment property under construction is not reliably determinable. If fair value of investment property under construction is not reliably determinable, the Group measures that property at cost until either its fair value becomes reliably determinable (whichever is earlier).

Previously the Group classified all investment property under construction as property, plant and equipment and measured it at cost. This change in accounting policy was due to adoption of revised IAS 40 *Investment Property* (2008), which became effective as at 1 January 2009.

As a result of the changed accounting policy investment property under construction as at 31 December 2009, profit for the year and retained earnings increased by RUR 92 739 thousand. In accordance with transitional provisions of the standard comparative figures have not been restated.

(ii) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to Chief Executive Officer (hereinafter, CEO), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of International Financial Reporting Standard 8 *Operating Segments*. The Group has early-adopted the amendment to IFRS 8 introduced by *Improvements to IFRS April 2009*. The new accounting policy in respect of operating segments disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(iii) Presentation of earnings per share

As at 1 January 2009 the Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares. This change in accounting policy is due to the adoption of IAS 33 *Earnings per Share*.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(iv) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Investments in Joint Ventures

Joint Ventures are jointly controlled entities, whereby the Company and other parties undertake an economic activity that is subject to joint control. Jointly controlled entities are accounted for using proportional consolidation method, whereby the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the Company's financial statements. Where a sale of assets to joint ventures occurred, and these assets were retained by the joint venture, the Company recognized only that portion of the gain or loss that is attributable to the interests of the other venturers. When a purchase of assets from joint ventures occurred, the Company's share in the profits from this transaction is not recognized until the assets are resold.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to RUR at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(c) Financial instruments

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

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) ***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) ***Derivative financial instruments***

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

(d) Transactions with owners

(i) Ordinary shares/share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Distributions to owners/contributions from owners

The dividends paid to the shareholders are recognised directly in equity once the decision on the payment takes place. The transfers of assets to the related parties (companies under the control of the Group's ultimate shareholders) or other benefits to such related parties are recognised directly in equity as distributions to the shareholders.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost for equipment and other fixed assets and stated at revalued amounts for land and buildings, as described below, less accumulated depreciation and provision for impairment, where required. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

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

(iii) Revaluation of land and buildings

Land and buildings are measured at fair value, based on periodic valuation by external independent valuers. A revaluation increase on land and buildings is recognised directly in the revaluation reserve in other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on land and buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in other comprehensive income, in which case the reversing amount is recognised directly in other comprehensive income. When a revalued asset is sold, the amount included in the revaluation reserve is transferred to retained earnings.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Buildings — 30 years
- Machinery and equipment, auxiliary facilities — 2-20 years
- Motor vehicles — 5-10 years
- Leasehold improvements — over the term of underlying lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property, including investment property under construction, is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value with any change therein recognised in profit or loss. If fair value of investment property under construction is not reliably determinable, the Group measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Fair value of the Group's investment property is determined by independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets primarily include capitalised computer software, patents and licenses. Acquired computer software, licenses and patents are capitalised on the basis of the costs incurred to acquire and bring them to use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods vary from 3 to 7 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(h) Leased assets

(i) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Where the Group is a lessee in a land lease, the initial cost of land lease is amortized using straight-line method over the period of lease being normally 50 years.

(ii) Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are shown as other payables (long-term accounts payable for amounts due after 12 months from reporting date). The interest cost is charged to the profit or loss over the lease period using the effective interest method.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of goods for resale includes its purchase price and related transportation costs, as well as other related logistic costs.

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

(j) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) ***Non-financial assets***

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

(k) Employee benefits

(i) ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) ***Other long-term employee benefits***

Other long-term employee benefits represent long-service bonuses. Long-term employee benefits are expensed evenly during the periods in which they are earned by employees.

(iii) Short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of VAT, returns and discounts.

(i) Goods sold

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, for retail trade it is normally at the cash register.

(ii) Services

Revenue from services rendered is recognised in profit or loss in when the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. When assets are leased out under an operating lease, the lease payments receivable are recognized as rental income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

(n) Finance income and costs

Finance income comprises interest income on issued loans and bank deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income tax

Income taxes have been provided in the consolidated financial statements in accordance with Russian legislation, as well as Luxembourg, BVI and Cyprus legislation for corresponding companies of the Group. Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2(e)(ii)).

(r) Value added tax

Input VAT is generally reclaimable against sales VAT when the right of ownership on purchased goods is transferred to the Group or when the services are rendered to the Group. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (VAT deferred) is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability.

(s) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated 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.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment becomes mandatory for the Group's 2010 consolidated financial statements with retrospective application required. The Group has not yet determined the potential effect of the amendment.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements* came into effect on 1 July 2009 (i.e. they become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove the exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity. The Group has not yet determined the potential effect of the revised standard.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* addresses the accounting for non-cash dividend distributions to owners. The interpretation clarifies when and how a non-cash dividend should be recognised and how the difference between the dividend paid and the carrying amount of the net assets distributed should be recognised. IFRIC 17 became effective for annual periods beginning on or after 1 July 2009. The Group has not yet determined the potential effect of the interpretation.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Group has not yet analysed the likely impact of all the improvements on its financial position or performance. However, it is expected that the improvements to IAS 17 in relation to the classification of leases of land could have material impact on the financial position of the Group.

4 Determination of fair values

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

(a) Land and buildings, investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's land and buildings and investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation and the allocation of maintenance and insurance responsibilities between the Group and the lessee.

(b) Non-derivative financial assets

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

(c) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group is engaged in management of retail stores located in Russia and has identified retail operations as a single reportable segment.

The Group identified the segment in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyze performance and allocate resources within the Group.

The Group's chief operating decision maker has been determined as the CEO.

The segment represents Group's retail business including advertising and rent income.

Within the segment all business components demonstrate similar economic characteristics:

- the products and customers;
- the business processes are integrated and uniform: the Group manages its operations centrally. Purchasing, logistics, finance, HR and IT functions are centralized;
- the Group's activities are mainly limited to Russia which has a uniform regulatory environment.

CEO assesses the performance of the operating segment based on adjusted earnings before interest, tax, depreciation and amortization (EBITDA). Other information provided to CEO is measured in a manner consistent with that in the consolidated financial statements.

The accounting policies used for the segment are the same as accounting policies applied for the consolidated financial statements as described in note 3.

The segment information for the year ended 31 December 2009 is as follows:

'000 RUR	**2009**	**2008**
Revenue	67 874 615	51 142 680
EBITDA	5 813 297	4 526 564

A reconciliation of EBITDA to profit for the year is as follows:

'000 RUR	2009	2008
EBITDA	5 896 309	4 548 552
Revaluation gain/(loss)	(699 293)	(3 380 926)
(Loss)/gain from disposal of non-current assets	(37 321)	53 267
Gain from disposal of assets held for sale	-	95 246
Loss from write-off of receivables	(2 110)	(12 181)
Impairment of receivables	(43 581)	(158 321)
Depreciation and amortisation	(1 361 306)	(1 128 353)
Impairment losses	(134 445)	(469 000)
Finance income	37 791	33 698
Finance costs	(1 683 931)	(1 036 560)
Foreign exchange gains/(losses)	(320 812)	(1 820 809)
Profit before income tax	1 651 301	(3 275 386)
Income tax	(936 879)	343 698
Profit/(loss) for the year	714 422	(2 931 688)

6 Revenue

'000 RUR	2009	2008
Sales of trading stock	63 540 249	47 083 930
Sales of self-produced catering products	3 490 440	3 189 654
Rental income	636 317	589 070
Revenue from advertising services	207 609	280 026
	67 874 615	**51 142 680**

7 General, selling and administrative expenses

'000 RUR	Note	2009	2008
Personnel costs	9	(5 229 496)	(3 644 078)
Depreciation and amortization		(1 361 306)	(1 128 353)
Advertising and marketing		(363 425)	(281 530)
Operating leases		(672 162)	(293 993)
Repairs and maintenance costs		(239 400)	(184 198)
Communication and utilities		(891 509)	(750 547)
Materials and supplies		(179 146)	(54 780)
Security expenses		(428 525)	(314 838)
Insurance and bank commission		(255 827)	(181 785)
Legal and professional expenses		(133 425)	(87 526)
Operating taxes		(391 455)	(317 607)
Other costs		(157 991)	(141 826)
		(10 303 667)	**(7 381 061)**

8 Other operating income and expenses

'000 RUR	Note	2009	2008
(Loss)/gain from disposal of non-current assets		(37 321)	53 267
Gain from disposal of assets held for sale		-	95 246
Loss from write-off of receivables		(2 110)	(12 181)
Impairment of receivables	26	(43 581)	(158 321)
Loss from revaluation of investment property	15	(81 215)	(789 185)
Loss from revaluation of property, plant and equipment		(618 078)	(2 591 741)
Loss from impairment of non-current assets	13, 14, 16	(134 445)	(469 000)
Sundry income		70 443	40 203
		(846 307)	**(3 831 712)**

9 Personnel costs

'000 RUR	Note	2009	2008
Wages and salaries		(3 304 911)	(2 105 914)
Contributions to state pension fund		(869 131)	(613 373)
Employee benefits		(1 004 008)	(872 392)
Other		(51 446)	(52 399)
Total personnel costs		**(5 229 496)**	**(3 644 078)**

During the year ended 31 December 2009 the Group employed 12 thousand employees in average (2008: 9 thousand employees in average). Approximately 84% of employees are store employees and the remaining part is office employees.

Comparative amounts of personnel costs were reclassified to conform with the current year's presentation. The amount of payroll taxes which had been previously disclosed in aggregate was split into personal income tax paid by the Group on behalf of the employees and contributions to state pension fund. Personal income tax for 2008 was included in the line 'Wages and salaries' in the amount of RUR 352 672 thousand and contributions to state pension fund for 2008 were disclosed in separate line in the amount of RUR 613 373 thousand.

Management believes that such presentation is more appropriate.

10 Finance income and finance costs

'000 RUR	2009	2008
Recognised in profit or loss		
Interest income on loans and receivables	30 479	33 227
Other finance income	7 312	471
Finance income	**37 791**	**33 698**
Interest costs on loans and borrowings	(1 680 881)	(1 011 708)
Finance leasing costs	(3 050)	(4 031)
Other finance costs	-	(20 821)
Finance costs	**(1 683 931)**	**(1 036 560)**
Net finance costs recognised in profit or loss	**(1 646 140)**	**(1 002 862)**
The above financial income and costs include the following in respect for assets/(liabilities) not at fair value through profit and loss:		
Total interest income on financial assets	37 791	33 698
Total interest expense on financial liabilities	(1 683 931)	(1 036 560)

'000 RUR	2009	2008
Recognised in other comprehensive income		
Change in fair value of hedges	22 266	(153 675)
Income tax on income and expense recognised in other comprehensive income	(4 453)	30 735
Finance income recognised in other comprehensive income, net of tax	17 813	(122 940)

During 2009 the Group has capitalised interests in the value of property, plant and equipment and investment property. The amount of capitalised interest comprised RUR 232 577 thousand (2008: RUR 284 574 thousand).

In 2009 capitalisation rate of 7.3% was used to determine the amount of borrowing costs eligible for capitalisation (2008: 8.9%).

11 Foreign exchange loss

During 2009 the Group had significant borrowings denominated in US dollars. The devaluation of Russian Rouble during 2009 has resulted in foreign exchange loss for the year amounting to RUR 320 812 thousand (2008: RUR 1 820 809 thousand). In 2009 and 2008 the Group has not used hedging instruments to hedge foreign exchange risks.

12 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2008: 24%). With effect from 1 January 2009, the income tax rate for Russian companies was reduced to 20%.

'000 RUR	**2009**	**2008**
Current tax expense	(909 831)	(796 126)
Deferred tax (expense)/benefit	(27 048)	1 139 824
Total income tax (expense)/benefit	**(936 879)**	**343 698**

Income tax recognised directly in other comprehensive income

'000 RUR	**2009**			**2008**		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Foreign currency translation differences for foreign operations	30 063	-	30 063	(23 471)	-	(23 471)
Revaluation of property, plant and equipment	(47 300)	9 460	(37 840)	(1 986 070)	664 958	(1 321 112)
Change in fair value of hedges	22 266	(4 453)	17 813	(153 675)	30 735	(122 940)
	5 029	**5 007**	**10 036**	**(2 163 216)**	**695 693**	**(1 467 523)**

Reconciliation of effective tax rate:

'000 RUR	2009	2008
Profit/(loss) before income tax	**1 651 301**	**(3 275 386)**
Income tax at applicable tax rate (2009: 20%, 2008: 24%)	(330 261)	786 093
Effect of income taxed at different rates	(5 928)	(5 424)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Inventory shrinkage expenses	(272 800)	(192 659)
- Other non-deductible expenses	(80 626)	(71 969)
Effect of change in tax rate	-	(172 343)
Write-off of deferred tax asset of tax losses carried forward	(208 985)	-
Adjustments to current income tax for previous periods	(38 279)	-
Income tax (expense)/benefit for the year	**(936 879)**	**343 698**

13 Property, plant and equipment

'000 RUR	Land	Buildings	Leasehold improve-ments	Auxiliary facilities	Machinery and equipment	Other fixed assets	Construction in progress	Total
Cost or deemed cost/Revalued amount								
Balance at 1 January 2008	6 443 844	9 591 378	-	30 210	1 879 709	812 772	1 721 646	20 479 559
Additions	1 059 383	1 556 232	201 496	3 210	546 646	251 828	1 223 026	4 841 821
Transfers	-	750 598	-	2 490	76 706	(3 966)	(825 828)	-
Transfers from Investment Property	702 477	-	-	-	-	-	-	702 477
Transfers from initial cost of land lease	129 535	-	-	-	-	-	-	129 535
Revaluation	(1 578 328)	(3 341 629)	-	-	-	-	-	(4 919 957)
Disposals	(251 546)	(13 152)	-	(4 964)	(2 681)	(8 151)	(171 837)	(452 331)
Balance at 31 December 2008	**6 505 365**	**8 543 427**	**201 496**	**30 946**	**2 500 380**	**1 052 483**	**1 947 007**	**20 781 104**

'000 RUR	Land	Buildings	Leasehold improve-ments	Auxiliary facilities	Machinery and equipment	Other fixed assets	Construction in progress	Total
Balance at 1 January 2009	6 505 365	8 543 427	201 496	30 946	2 500 380	1 052 483	1 947 007	20 781 104
Additions	92 000	1 525 649	446 057	994	568 238	245 143	524 669	3 402 750
Transfers	-	838 739	48 302	-	38 263	-	(925 304)	-
Transfers to Investment Property	(293 712)	-	-	-	-	-	(547 503)	(841 215)
Revaluation	(203 274)	(809 764)	-	-	-	-	-	(1 013 038)
Disposals	-	-	-	(2 313)	(7 668)	(2 090)	(24 827)	(36 898)
Balance at 31 December 2009	**6 100 379**	**10 098 051**	**695 855**	**29 627**	**3 099 213**	**1 295 536**	**974 042**	**22 292 703**
Depreciation and impairment losses								
Balance at 1 January 2008	-	-	-	(11 309)	(503 330)	(302 039)	-	(816 678)
Depreciation for the year	-	(342 146)	(1 169)	(4 048)	(432 897)	(246 056)	-	(1 026 316)
Revaluation	-	342 146	-	-	-	-	-	342 146
Impairment losses	-	-	-	-	-	-	(300 000)	(300 000)
Transfers	-	-	-	(1 364)	-	1 364	-	-
Disposals	-	-	-	1 165	2 340	338	-	3 843
Balance at 31 December 2008	-	-	**(1 169)**	**(15 556)**	**(933 887)**	**(546 393)**	**(300 000)**	**(1 797 005)**

'000 RUR	Land	Buildings	Leasehold improve-ments	Auxiliary facilities	Machinery and equipment	Other fixed assets	Construction in progress	Total
Balance at 1 January 2009	-	-	(1 169)	(15 556)	(933 887)	(546 393)	(300 000)	(1 797 005)
Depreciation for the year	-	(347 660)	(41 353)	(2 109)	(530 055)	(259 070)	-	(1 180 247)
Revaluation	-	347 660	-	-	-	-	-	347 660
Transfers to Investment property	-	-	-	-	-	-	300 000	300 000
Disposals	-	-	-	1 639	3 274	1 381	-	6 294
Balance at 31 December 2009	-	-	**(42 522)**	**(16 026)**	**(1 460 668)**	**(804 082)**	-	**(2 323 298)**
Carrying amounts								
At 1 January 2008	**6 443 844**	**9 591 378**	-	**18 901**	**1 376 379**	**510 733**	**1 721 646**	**19 622 881**
At 31 December 2008	**6 505 365**	**8 543 427**	**200 327**	**15 390**	**1 566 493**	**506 090**	**1 647 007**	**18 984 099**
At 31 December 2009	**6 100 379**	**10 098 051**	**653 333**	**13 601**	**1 638 545**	**491 454**	**974 042**	**19 969 405**
Net book value had no revaluations taken place								
At 1 January 2008	**3 243 443**	**9 115 976**	-	**18 901**	**1 376 379**	**510 733**	**1 721 646**	**15 987 078**
At 31 December 2008	**3 489 884**	**10 862 339**	**200 327**	**15 390**	**1 566 493**	**506 090**	**1 647 007**	**18 287 530**
At 31 December 2009	**3 596 158**	**12 720 557**	**653 333**	**13 601**	**1 638 545**	**491 454**	**974 042**	**20 087 690**

Depreciation expense of RUR 1 180 247 thousand has been charged to selling, general and administrative expenses (2008: RUR 1 026 316 thousand).

(a) Revaluation of land and buildings

The carrying amount of land and buildings is the fair value of the land and buildings as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and type of the property being valued. Revaluation was made annually, for each reporting date.

In respect of land the appraisers have used the market approach for determining the fair value. In respect of buildings, the appraisers have used primarily the income approach and, secondary the market approach for determining the fair value of buildings. Market approach was mainly used for the buildings of supermarkets.

The market approach considers prices recently paid for similar properties, with adjustments made to the indicated market prices to reflect the nature, conditions and locations of the appraised property relative to the market comparative. In the income approach, an estimate is made of annual net operating income for 5 years, which is mainly based on annual net rent rate varying from RUR 4 300 to RUR 6 700 per sq. m. (2008: from RUR 4 600 to RUR 6 500 per sq.m.) and full occupancy. The annual net operating income is assumed to be constant from year 6 to perpetuity. Discount rates from 15.8% to 19.3% (2008: from 17.5% to 19.5%) were applied in the income based approach, dependent on local risk factors.

(b) Security

At 31 December 2009 property, plant and equipment carried at RUR 8 333 576 thousand (2008: RUR 6 666 158 thousand) have been pledged to third parties as collateral for borrowings. Refer to note 23.

(c) Leased plant and machinery

Included in Machinery and equipment are assets held under finance leases with a carrying value of RUR 77 672 thousand (2008: RUR 110 556 thousand). Included in Other fixed assets are assets held under finance leases with a carrying value of Nil (2008: RUR 2 000 thousand). Refer to note 25.

14 Intangible assets

'000 RUR	Software	Lease rights	Total
Cost			
Balance at 1 January 2008	74 344	-	74 344
Additions	43 558	230 572	274 130
Disposals	-	-	-
Balance at 31 December 2008	**117 902**	**230 572**	**348 474**
Balance at 1 January 2009	117 902	230 572	348 474
Additions	82 100	208 460	290 560
Transfer from other assets	-	52 443	52 443
Disposals	-	-	-
Balance at 31 December 2009	**200 002**	**491 475**	**691 477**
Amortisation and impairment losses			
Balance at 1 January 2008	(20 146)	-	(20 146)
Amortisation for the year	(44 392)	-	(44 392)
Impairment losses	-	-	-
Balance at 31 December 2008	**(64 538)**	**-**	**(64 538)**
Balance at 1 January 2009	(64 538)	-	(64 538)
Amortisation for the year	(52 099)	(69 969)	(122 068)
Impairment losses	-	(23 445)	(23 445)
Balance at 31 December 2009	**(116 637)**	**(93 414)**	**(210 051)**
Carrying amounts			
At 1 January 2008	**54 198**	**-**	**54 198**
At 31 December 2008	**53 364**	**230 572**	**283 936**
At 31 December 2009	**83 365**	**398 061**	**481 426**

Amortisation and impairment charge

Amortisation of RUR 122 068 thousand has been charged to selling, general and administrative expenses (2008: RUR 44 392 thousand). Impairment losses of RUR 23 445 thousand have been included in other operating expenses (2008: Nil).

Impairment testing of lease rights

For the purposes of impairment testing, lease rights are allocated to assets acquired in stores. The aggregate carrying amounts of other intangible assets allocated to each store are as follows:

'000 RUR	Lease rights NBV 2009	Impairment 2009	Lease rights NBV 2008	Impairment 2008
Murmansk	113 041	-	111 465	-
Volgograd 1	88 346	(23 445)	85 482	-
Volgograd 2	35 173	-	33 625	-
Voljskiy	77 041	-	-	-
Krasnoyarsk	19 919	-	-	-
Stavropol	87 986	-	-	-
	421 506	**(23 445)**	**230 572**	**-**

The recoverable amount of each store represents value in use as determined by discounting the future cash flows generated from the continuing use of the stores. The following key assumptions were used in determining the recoverable amounts of the respective stores:

- Cash flows were projected based on estimated operating results and the seven-year business plan.
- The anticipated annual sales growth included in the cash flow projections was 3% (not taking into account inflation rate of 12%) for the years 2011 to 2015.
- A discount rate of 18% was applied in determining the recoverable amount of the stores.

The values assigned to the key assumptions represent management's assessment of future trends in retail industry and are based on both external and internal sources.

15 Investment property

'000 RUR	Investment property	Investment property under construction	Total investment property
Investment properties at fair value as at 1 January 2008	**2 534 444**	-	**2 534 444**
Expenditure on subsequent improvements	1 389	-	**1 389**
Transfers to property, plant and equipment	(702 477)	-	**(702 477)**
Disposals	(2 529)	-	**(2 529)**
Fair value loss	(789 185)	-	**(789 185)**
Investment properties at fair value as at 31 December 2008	**1 041 642**	-	**1 041 642**

Investment properties at fair value as at 1 January 2009	**1 041 642**	-	**1 041 642**
Additions	-	65 358	**65 358**
Transfers from property, plant and equipment	293 712	247 503	**541 215**
Expenditure on subsequent improvements	424	-	**424**
Fair value gain/(loss)	(173 954)	92 739	**(81 215)**
Investment properties at fair value as at 31 December 2009	**1 161 824**	**405 600**	**1 567 424**

As a result of the change in accounting policy with respect to the presentation and measurement of investment property under construction, since 1 January 2009 investment property under construction is classified as investment property and measured at fair value, unless there is clear evidence that the fair value of investment property under construction is not reliably determinable. Refer to note 2(e)(i).

The carrying amount of investment property is the fair value of the property as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and type of the property being valued. Refer to note 13.

During 2009 the Group has reconsidered the planned use of one particular land plot. Instead of plans of using this land plot for hypermarket, the Group has determined that it would be used for trade center. Consequently, that resulted in the reclassification of this land plot from property, plant and equipment to investment property.

At 31 December 2009 investment property carried at RUR 1 161 824 thousand (2008: RUR 956 642 thousand) have been pledged to third parties as collateral for borrowings. Refer to note 23.

Direct operating expenses arising from investment property that generated rental income amounted to RUR 68 081 thousand for the year ended 31 December 2009 (2008: RUR 66 043 thousand). There were no direct operating expenses arising from investment property that did not generate rental income for the year ended 31 December 2009 (2008: Nil).

16 Other non-current assets

'000 RUR	**2009**	**2008**
Prepayments for non-current assets	688 768	897 637
Initial cost of land lease	2 787 467	2 963 874
Long-term deposits to lessors	95 359	71 035
Deferred bank commissions	51 033	67 298
	3 622 627	**3 999 844**

Initial cost of land lease includes purchase price and the costs directly attributable to acquisition of lease rights and is amortised over the period of the lease (49-51 years).

Movements in the carrying amount of initial cost of land lease were as follows:

'000 RUR	**2009**	**2008**
Cost		
Balance at 1 January	**3 299 117**	**2 869 254**
Additions	16 557	571 651
Transfers to investment property	-	(129 535)
Disposals	(24 761)	(12 253)
Balance at 31 December	**3 290 913**	**3 299 117**
Amortization and impairment losses		
Balance at 1 January	**(335 243)**	**(117 454)**
Amortization charge	(58 991)	(57 645)
Impairment losses	(111 000)	(169 000)
Disposals	1 788	8 856
Balance at 31 December	**(503 446)**	**(335 243)**
Net book value	**2 787 467**	**2 963 874**

At 31 December 2009 initial cost of land lease carried at RUR 492 683 thousand (2008: RUR 315 186 thousand) have been pledged to third parties as collateral for borrowings. Refer to note 23.

Impairment loss

During 2008 and 2009 the market for land deteriorated which resulted in loss from revaluation of land for the Group for two consequent years. The Group therefore assessed the recoverable amount of initial cost of land lease as of 31 December 2009 as higher of fair value less costs to sell and value in use as at 31 December 2009. Based on this assessment, management determined that the recoverable amount of initial cost of land lease was RUR 111 000 thousand lower than its carrying amount, and recognised an impairment loss. This impairment loss relates to several rented land plots.

The fair value less costs to sell was determined by the registered independent appraisers who also appraised the Group's property, plant and equipment and investment property.

The impairment loss was recognised in other operating expenses.

17 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 RUR	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Investment property	-	16 026	(89 166)	-	(89 166)	16 026
Property, plant and equipment	-	-	(595 414)	(788 874)	(595 414)	(788 874)
Construction in progress	-	102 057	(26 838)	(49 026)	(26 838)	53 031
Intangible assets	-	-	(123)	(4 533)	(123)	(4 533)
Investments	3 327	4 490	-	-	3 327	4 490
Other non-current assets	59 028	96 042	-	(5 836)	59 028	90 206
Inventories	117 199	85 329	(905)	-	116 294	85 329
Trade and other receivables	18 768	17 820	(1 821)	-	16 947	17 820
Borrowings	-	-	-	-	-	-
Deferred income	-	754	-	-	-	754
Trade and other payables	252 805	128 880	-	-	252 805	128 880
Tax losses carry-forwards	113 706	322 787	-	-	113 706	322 787
Tax assets/(liabilities)	**564 833**	**774 185**	**(714 267)**	**(848 269)**	**(149 434)**	**(74 084)**
Set off of tax	(321 726)	(597 959)	321 726	597 959	-	-
Net tax assets/(liabilities)	**243 107**	**176 226**	**(392 541)**	**(250 310)**	**(149 434)**	**(74 084)**

Tax losses carry-forwards expire in 2018. The related deferred tax asset has been recognised as management believes, based on budgets and actual performance, that it is probable that future taxable profit will be available against which the Group can utilise these tax losses before expiry.

(b) Unrecognised deferred tax liability

As at 31 December 2009 a temporary difference of RUR 6 214 166 thousand (2008: RUR 3 398 544 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future. If the temporary difference were reversed in form of distributions remitted to the Company, then an enacted tax rate of 10-15% would apply.

(c) Movement in temporary differences during the year

'000 RUR	1 January 2009	Recognised in profit or loss	Recognised in hedging reserve	Recognised in revaluation reserve	Reclassified to intangible assets (*)	31 December 2009
Investment property	16 026	(105 192)	-		-	(89 166)
Property, plant and equipment	(788 874)	190 121	-	9 460	(6 121)	(595 414)
Construction in progress	53 031	(79 869)	-	-	-	(26 838)
Intangible assets	(4 533)	250	-	-	4 160	(123)
Investments	4 490	(1 163)	-	-	-	3 327
Other non-current assets	90 206	20 170	-	-	(51 348)	59 028
Inventories	85 329	30 965	-	-	-	116 294
Trade and other receivables	17 820	(873)	-	-	-	16 947
Borrowings	-	-	-	-	-	-
Deferred income	754	(754)	-	-	-	-
Trade and other payables	128 880	128 378	(4 453)	-	-	252 805
Tax loss carry-forwards	322 787	(209 081)	-	-	-	113 706
	(74 084)	**(27 048)**	**(4 453)**	**9 460**	**(53 309)**	**(149 434)**

(*) - In 2008, RUR 53 309 thousand was mistakenly recognised as a deferred tax asset as a result of an acquisition of assets. This amount has been reclassified as a part of cost of intangible assets in 2009.

'000 RUR	1 January 2008	Recognised in profit or loss	Recognised in hedging reserve	Recognised in revaluation reserve	Recognised in acquisitions	31 December 2008
Investment property	(141 803)	157 829	-	-		16 026
Property, plant and equipment	(1 884 460)	424 507	-	664 958	6 121	(788 874)
Construction in progress	(36 965)	89 996	-	-		53 031
Intangible assets	-	(373)	-	-	(4 160)	(4 533)
Investments	4 639	(149)	-	-	-	4 490
Other non-current assets	(24 473)	63 331	-	-	51 348	90 206
Inventories	38 341	46 988	-	-	-	85 329
Trade and other receivables	14 654	3 166	-	-	-	17 820
Borrowings	(810)	810	-	-	-	-
Deferred income	2 136	(1 382)	-	-	-	754
Trade and other payables	52 281	45 864	30 735	-	-	128 880
Tax loss carry-forwards	13 550	309 237	-	-	-	322 787
	(1 962 910)	**1 139 824**	**30 735**	**664 958**	**53 309**	**(74 084)**

18 Inventories

'000 RUR	2009	2008
Goods for resale	4 997 712	3 831 070
Raw materials and consumable	313 387	242 177
Write-down to net realisable value	(165 610)	(132 643)
	5 145 489	**3 940 604**

Due to discount given for obsolete and slow moving goods for resale the Group tested the related stock for write-off and also wrote down the related inventories to their net realisable value, which resulted in a loss of RUR 165 610 thousand for 2009 (2008: RUR 132 643 thousand). The write down to net realisable value was determined applying the percentages of discount on sales of slow moving goods to the appropriate ageing of the goods. The percentages of discount were based on the best management estimate following the experience of the discount sales.

The write-down is included in cost of goods sold.

19 Trade and other receivables

'000 RUR	2009	2008
Trade receivables	85 293	511 869
VAT receivable	517 069	737 317
Prepaid taxes	46 763	151 308
Other receivables	331 277	131 018
	980 402	**1 531 512**

Taxes prepaid include RUR 40 144 thousand of prepaid Income tax (2008: RUR 147 939 thousand).

Other receivables include RUR 302 527 thousand (2008: RUR 60 397 thousand) of bonuses receivable from suppliers.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

20 Cash and cash equivalents

'000 RUR	2009	2008
Cash on hand	153 282	111 330
RUR denominated bank current account	610 850	472 838
USD denominated bank current account	12 373	15 816
RUR term deposits (interest rate: 7.7% p.a.; 2008 – 8% p.a.)	11 204	530 766
Cash in transit	674 603	542 716
Cash and cash equivalents	**1 462 312**	**1 673 466**

Term deposits had original maturities of less than three months.

The Group keeps its cash in the following banks: Sberbank, Baltiysky Bank, Raiffeisen bank, VTB bank, Credit Evropa bank, Swedbank, TransCredit bank, Unicredit bank and Uralsib bank.

The Group's exposure to credit and currency risks related to cash and cash equivalents is disclosed in note 26.

21 Equity

As at 31 December 2009 the Group's subscribed share capital of RUR 109 815 thousand (EUR 2 531 thousand, 2007: EUR 31 thousand) is represented by 253 100 shares (2008: 3 100 shares) with a par value of 10 EUR each.

During 2009 Dorinda Holding S.A. issued 250 000 new shares. Excess of consideration received for shares over their nominal value was recognised in additional paid-in capital in the amount of EUR 300 thousand (RUR 13 016 thousand).

The Rouble value of the subscribed capital is determined with application of RUR/EUR historical exchange rate as at the date of each equity transaction.

Movements in Revaluation reserves and additional paid-in capital were as follows:

In thousands of RUR	**Revaluation reserve for property, plant and equipment**	**Additional paid-in capital**	**Total**
At 1 January 2008	**5 094 472**	**2 923 135**	**8 017 607**
Revaluation loss	(1 986 070)	-	(1 986 070)
Income tax effect	397 214	-	397 214
Income tax effect due to change in tax rate	267 744	-	267 744
Contribution from shareholders in kind (land plot)	-	740 461	740 461
At 31 December 2008	**3 773 360**	**3 663 596**	**7 436 956**
Revaluation loss	(47 300)	-	(47 300)
Income tax effect	9 460	-	9 460
Issue of shares	-	13 016	13 016
At 31 December 2009	**3 735 520**	**3 676 612**	**7 412 132**

During 2008 shareholders made contributions in kind disclosed in additional paid in capital. This contribution included land plot located in Moscow region.

22 Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of RUR 714 422 thousand (2008: loss RUR 2 931 688 thousand), and a weighted average number of ordinary shares outstanding of 107 895 (2008: 3 100), calculated as shown below. The Company has no dilutive potential ordinary shares.

Number of shares	2009	2008
Issued shares at 1 January	3 100	3 100
Effect of shares issued	104 795	-
Weighted average number of shares for the year ended 31 December	107 895	3 100

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

'000 RUR	**2009**	**2008**
Non-current liabilities		
Secured bank loans	7 677 614	2 704 329
Unsecured loans from Related parties	1 348 874	1 621 183
	9 026 488	**4 325 512**
Current liabilities		
Secured bank loans	5 622 922	7 821 835
Unsecured loans from Related parties	813 884	832 602
Unsecured bank facilities	-	2 113 332
Unsecured loans from third parties	2 871	-
	6 439 677	**10 767 769**

Property, plant and equipment, investment property and initial cost of land lease are pledged as collateral for borrowings of RUR 12 146 747 thousand (2008: RUR 7 937 986 thousand). Refer to notes 13, 15 and 16.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUR	Currency	Nominal interest rate	Year of maturity	31 December 2009 Face value	31 December 2009 Carrying amount	31 December 2008 Face value	31 December 2008 Carrying amount
Secured bank loan	USD	10.2%	2009	-	-	763 890	763 890
Secured bank loan	USD	LIBOR + 3.9-5%	2013	1 032 439	1 032 439	1 090 731	1 090 731
Secured bank loan	USD	LIBOR + 5%	2012-2014	575 421	575 421	652 704	652 704
Secured bank loan	USD	9.2-10%	2011	963 373	963 373	1 259 008	1 259 008
Secured bank loan	USD	LIBOR + 3.15%	2015	6 061 058	6 061 058	2 650 284	2 650 284
Secured bank loan	RUR	15.5%	2011-2012	1 586 613	1 586 613	455 014	455 014
Secured bank loan	USD	15.5%	2011-2012	-	-	1 455 736	1 455 736
Secured bank loan	RUR	12.75-16.25%	2012-2014	1 962 301	1 962 301	2 198 797	2 198 797
Secured bank loan	RUR	13,3%	2010	452 558	452 558	-	-
Secured bank loan	RUR	11,8%	2010	50 178	50 178	-	-
Secured bank loan	RUR	12-17%	2010	36 595	36 595	-	-
Secured bank loan	RUR	10,6-11,3%	2010	150 000	150 000	-	-
Secured bank loan	RUR	12,5%	2010	430 000	430 000	-	-
Unsecured bank loan	RUR	9.5%	2009	-	-	972 769	972 769
Unsecured bank loan	RUR	9,5%	2009	-	-	200 000	200 000
Unsecured bank loan	RUR	9,5%	2009	-	-	154 000	154 000
Unsecured bank loan	USD	LIBOR 1m + 4,25%	2009	-	-	442 265	442 265
Unsecured bank loan	RUR	11,2%	2009	-	-	341 687	341 687
Unsecured bank loan	RUR	11.3%	2009	-	-	2 611	2 611
Unsecured loans from related parties	USD	9%	2009	-	-	937	937
Unsecured loans from related parties	USD	10%	2010	1 172 973	1 172 973	1 430 772	1 430 772
Unsecured loans from related parties	USD	10%	2010	175 901	175 901	231 438	231 438
Unsecured loans from related parties	USD	10%	2010	813 884	813 884	790 638	790 638
Unsecured loans from other companies	RUR	0%	2010	2 871	2 871	-	-
				15 466 165	**15 466 165**	**15 093 281**	**15 093 281**

(b) Breach of loan covenant

The Group monitors compliance with the banks covenants on ongoing basis. Where incompliance is unavoidable in managements' view, the Group obtains waiver letters from the banks before the year-end, confirming that the banks shall not use its right to demand early redemption.

As of 31 December 2009 the Group did not comply with one covenant of one loan, which triggered 3 breaches of cross-covenants as detailed below:

'000 RUR	Carrying amount			
	Total	Long-term portion	Original maturity	Breached covenant
Sberbank	1 427 188	1 355 390	2010-2014	Negative net assets of as at 31 March 2009 according to statutory financial statements of borrower
Sberbank	535 113	319 830	2009-2012	Cross-covenant
Sberbank	500 590	181 465	2009-2011	Cross-covenant
Sberbank	462 783	163 682	2009-2011	Cross-covenant
Total	**2 925 674**	**2 020 367**		

Before 31 December 2009 the Group obtained letter from Sberbank confirming that the bank did not intend to use its right to demand early redemption, however this letter did not waive the right itself. Consequently, in accordance with the requirements of IFRS, these loans have been reclassified as current liabilities as at 31 December 2009.

24 Trade and other payables

'000 RUR	Note	2009	2008
Trade payables		9 625 067	8 803 565
Advances received		117 996	517 804
Taxes payable (other than Income tax)		318 711	193 712
Payables to staff		564 081	399 705
Interest rate swap liabilities	26	131 409	153 675
Finance lease liability	25	39 226	44 017
Other current payables		4 124	39 797
		10 800 614	**10 152 275**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

25 Finance leases

Minimum lease payments under finance leases and their present values are as follows:

'000 RUR	Due within 1 year	Due between 2 and 5 years	Total
Minimum lease payments at 31 December 2008	49 877	28 446	78 323
Less future finance charges	(5 860)	(2 051)	(7 911)
Present value of minimum lease payments at 31 December 2008	**44 017**	**26 395**	**70 412**
Minimum lease payments at 31 December 2009	40 560	-	40 560
Less future finance charges	(1 334)	-	(1 334)
Present value of minimum lease payments at 31 December 2009	**39 226**	**-**	**39 226**

There are no lease payments under finance leases due after 5 years. Finance leases are included under other non-current liabilities and under trade and other payables.

26 Financial instruments and risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

(i) Trade and other receivables

The Group has no considerable balance of trade receivables because the majority of the customers are retail consumers, who are not provided with any credit. Therefore the Group's trade receivables primarily include receivables from tenants and receivables connected to provision of advertising services. Usually the Group provides advertising services to suppliers of goods sold in O'Key outlets. Thus, the credit risk in part of Trade receivables is mostly managed through procedures for selection of suppliers and tenants.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

(ii) Investments

The only investments of the Group are insignificant loans issued to the related parties, consequently credit risk is considered to be insignificant.

(iii) Exposure to credit risk

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

	Note	**Carrying amount**	
'000 RUR		**2009**	**2008**
Trade and other receivables	19	416 570	642 887
Loans issued		11 086	1 627
Cash and cash equivalents	20	1 462 312	1 673 466
		1 889 968	**2 317 980**

Due to the fact that the Group's principal activities are located in Russian Federation the credit risk is mainly associated with domestic market. The credit risks associated with foreign customers are considered to be remote, as there are only few foreign customers and they were properly assessed for creditability.

Impairment losses

The aging of trade receivables at the reporting date was:

'000 RUR	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Past due less than 90 days	307 071	-	589 252	(12 516)
Past due 90-180 days	6 414	-	21 679	(1 749)
Past due 180-360 days	20 704	-	15 526	(9 039)
More than 360 days	187 304	(104 923)	196 351	(156 617)
	521 493	**(104 923)**	**822 808**	**(179 921)**

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

'000 RUR	2009	2008
Balance at beginning of the year	179 921	21 600
Impairment loss recognised	43 581	158 321
Impairment loss utilised	(118 579)	-
Balance at end of the year	104 923	179 921

There was only one individually significant debt in the amount of RUR 118 579 thousand, which was fully impaired as at 31 December 2008. During 2009 this debt was written-off.

The management has performed thorough analysis of the recoverability of the receivables and impaired the balances outstanding for more than 1 year. Based on the past experience the management believes that normally the balances outstanding less than 180 days should not be impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is a responsibility of the Treasury under the supervision of the Group's Financial Director. The Group's liquidity risk management objectives are as follows:

- Maintaining financial independence: a share of one creditor in debt portfolio should not exceed 30%;
- Maintaining financial stability: the ratio DEBT/EBITDA should not exceed 2.5;
- Monitoring of compliance with debt covenants;
- Planning: timely preparation of operating, investing and financing cash-flow forecasts on rolling basis.

(i) ***Exposure to liquidity risk***

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

2009

'000 RUR	**Carrying amount**	**Contractual cash flows**	**0-6 mths**	**6-12 mths**	**1-5 yrs**
Non-derivative financial liabilities					
Secured bank loans	13 300 536	(14 586 404)	(4 357 466)	(1 787 706)	(8 441 232)
Unsecured loans from related parties	2 162 758	(2 660 634)	(40 360)	(854 913)	(1 765 361)
Unsecured loans from other companies	2 871	(2 874)	(6)	(2 868)	-
Trade and other payables	10 193 272	(10 193 272)	(10 193 272)	-	-
Finance lease liabilities	39 226	(40 560)	(33 060)	(7 500)	-
Derivative financial liabilities					
Interest rate swap liability	131 409	(132 276)	(89 646)	(42 630)	-
	25 830 072	**(27 616 020)**	**(14 713 810)**	**(2 695 617)**	**(10 206 593)**

2008

'000 RUR	**Carrying amount**	**Contractual cash flows**	**0-6 mths**	**6-12 mths**	**1-5 yrs**
Non-derivative financial liabilities					
Secured bank loans	10 526 164	(11 363 520)	(5 034 151)	(3 203 070)	(3 126 299)
Unsecured bank loans	2 113 332	(2 167 773)	(1 724 211)	(443 562)	-
Unsecured loans from related parties	2 453 785	(3 165 368)	(749 329)	(120 681)	(2 295 358)
Trade and other payables	9 243 067	(9 243 067)	(9 243 067)	-	-
Finance lease liabilities	70 412	(78 323)	(26 666)	(23 211)	(28 446)
Derivative financial liabilities					
Interest rate swap liability	153 675	(161 391)	(52 490)	(53 786)	(55 115)
	24 560 435	(26 179 442)	(16 829 914)	(3 844 310)	(5 505 218)

There are no payments due after 5 years.

(d) Market risk

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

The Group buys derivatives in order to manage market risk. All such transactions are carried out within the guidelines set in Group's policy on hedging market risk. The Group applies hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Group holds its business in Russian Federation and mainly collects receivables nominated in Russian Roubles. However financial liabilities of the Group are also nominated in other currencies, primarily US Dollar.

Thus the Group is exposed to currency risk, which may materially influence the financial position and financial results of the Group through the change in carrying value of financial liabilities and amounts on foreign exchange rate gains or losses. The Group ensures that its exposure is kept to acceptable level by keeping proportion of financial liabilities in foreign currencies to total financial liabilities at acceptable level. From time to time the Group converts liabilities from one currency to another. The Group regularly considers necessity of using forward currency exchange contracts to hedge its exposure to currency risk. During 2009 the Group did not use forward exchange contracts.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 RUR	USD-denominated 2009	Euro-denominated 2009	USD-denominated 2008	Euro-denominated 2008
Trade and other receivables	28 532	81 342	33 245	-
Secured bank loans	(8 632 291)	-	(7 872 353)	-
Unsecured bank loans	-	-	(442 265)	-
Unsecured loans from related parties	(2 162 758)	-	(2 453 785)	-
Trade and other payables	(24 427)	(2 216)	(81 933)	(14 320)
Finance lease liabilities	(39 226)	-	(70 397)	-
Interest rate swap liabilities	(131 409)	-	(153 675)	-
Gross exposure	**(10 961 579)**	**79 126**	**(11 041 163)**	**(14 320)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
Russian Rouble equals	**2009**	**2008**	**2009**	**2008**
US Dollar	31.7231	24.8553	30.2442	29.3804
Euro	44.1320	36.4291	43.3883	41.4411

Sensitivity analysis

A 10% strengthening of the RUR, as indicated below, against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

'000 RUR	**Equity**	**Profit or loss**
2009		
USD (10% strengthening)	1 096 158	1 083 017
EUR (10% strengthening)	-	(7 913)
2008		
USD (10% strengthening)	1 104 116	1 088 750
EUR (10% strengthening)	-	1 432

A weakening of the RUR against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group has material exposure to interest rate risk. As at 31 December 2009 83% of the Group's financial liabilities were subject to re-pricing within 6 months after the reporting date (2008: 76%).

The Group also uses interest rate swaps to hedge its exposure to variability of interest rates. As at 31 December 2009, the Group has entered into several agreements with Morgan Stanley & Co. International Plc and with VTB Bank. Under these agreements the Group swaps LIBOR rate for fixed rate varying from 1.3% to 4.1%. At inception, swaps had maturity of two years. The Group hedged 95% (2008: 86%) of its borrowings with variable rate applying these hedges.

Profile

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

'000 RUR	Carrying amount 2009	2008
Fixed rate instruments		
Financial assets	22 290	532 393
Financial liabilities	(7 649 878)	(10 327 693)
Variable rate instruments		
Financial assets	6 758	-
Financial liabilities	(7 986 922)	(4 989 659)

Starting from 2009 the Group includes the balance of bank deposits in the above schedule in category financial assets. Comparative information was corrected accordingly.

Fixed rate financial liabilities include bank loans with interest rate, which is conditional on the turnover on the bank accounts of borrower and guarantor, opened in the bank-lender. Carrying amount of such loans as at 31 December 2009 amounted to RUR 2 925 675 thousand (2008: RUR 3 457 818 thousand).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
'000 RUR	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2009				
Variable rate instruments	(78 328)	78 328	-	-
Interest rate swap	74 216	(74 216)	79 098	(55 297)
Cash flow sensitivity (net)	(4 112)	4 112	79 098	(55 297)
2008				
Variable rate instruments	(48 227)	48 227	-	-
Interest rate swap	41 470	(41 470)	64 235	(63 234)
Cash flow sensitivity (net)	(6 757)	6 757	64 235	(63 234)

(e) Fair value hierarchy

The Group carries derivative financial assets and liabilities at fair value. Fair value of derivative financial assets and liabilities was determined based on inputs that are not based on observable market data (unobservable inputs).

The changes in fair value of derivative financial assets and liabilities during the year were as follows:

	2009		2008	
'000 RUR	**Derivative financial assets**	**Derivative financial liabilities**	**Derivative financial assets**	**Derivative financial liabilities**
Balance at 1 January	-	(153 675)	-	-
Total gains recognised in profit or loss	6 758	-	-	-
Total losses recognised in other comprehensive income	-	22 266	-	(153 675)
Balance at end of the year	6 758	(131 409)	-	(153 675)

(f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the year. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, except for statutory requirement in relation to minimum level of share capital; the Group follows this requirement. Also some of the bank covenants impose capital requirements on the Group (the breaches of covenants are discussed in note 23).

27 Operating leases

Leases as lessee

The Group has both own and leased land plots. The own land plots are included in either property, plant and equipment or investment property depending on the use of a respective land plot. Leased land plots are treated as operating leases. In case the Group incurs costs directly attributable to acquisition of operating lease rights, these costs are capitalized as initial cost of land lease and is amortised over the period of the lease (49-51 years). The further information on leases is detailed below.

When the Group leases land plots under operating leases, the lessors for these leases are State authorities and third parties. The leases are typically run for 2-3 years, after which long term operating lease contract is concluded for 50 years. The Group has also a few premises under operating leases. These leases typically run for 10 years. The Group has non-cancellable leases and contingent rent arrangements (2008: none). The Group has no subleases.

During the year ended 31 December 2009 RUR 731 153 thousand was recognised as an expense (including amortisation of initial cost of land lease amounting to RUR 58 991 thousand) in the consolidated statement of comprehensive income in respect of operating leases (2008: RUR 351 638 thousand).

Non-cancellable operating lease rentals are payable as follows:

RUR 000'	**2009**	**2008**
Less than one year	485 781	261 969
Between one and five years	1 152 053	426 000
More than five years	3 659 317	2 426 223
	5 297 151	**3 114 192**

Contingent rent recognised as an expense for the year ended 31 December 2009 amounted to RUR 13 974 thousand (2008: Nil). Contingent rent is determined as higher of fixed rent rate or 3%-6% of the revenue of related stores.

Leases as lessor

The Group leases out its investment property and some space in the buildings of hypermarkets. During the year ended 31 December 2009 RUR 636 317 thousand was recognised as rental income in the consolidated statement of comprehensive income (2008: RUR 589 070 thousand). The Group has no non-cancellable leases. The Group has contingent rent arrangements.

Contingent rent recognised as income amounted to RUR 109 933 thousand for the year ended 31 December 2009 (2008: Nil). Rental fee for such leases is determined as the higher of the fixed rent rate or 7-35% of the tenant's revenue.

28 Capital commitments

The Group has capital commitments to acquire property, plant and equipment amounting to RUR 886 566 thousand as at 31 December 2009 (2008: RUR 1 965 076 thousand).

29 Contingencies

(a) Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims.

(b) 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.

The Group companies entered into intragroup transactions at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The Group companies have also undertaken financial intragroup transactions which if tax authorities take a different view to management may potentially lead to assessment of additional tax, fine and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules and practical application of the law, but could be significant. Management has not made any provision because it believes it is not probable that an outflow of funds relating to any such assessment will take place.

(c) Assets pledged or restricted

At 31 December 2009 the Group has the following assets pledged as collateral:

'000 RUR	Note	2009	2008
Fixed assets (carrying value)	13	8 333 576	6 666 158
Investment property (carrying value)	15	1 161 824	956 642
Initial cost of land lease (carrying value)	16	492 683	315 186
Total		**9 988 083**	**7 937 986**

30 Related party transactions

(a) Control relationships

The Group is controlled by four individuals Mr. Korzhev, Mr. Troitsky, Mr. Volchek and Mr. Teder ("the shareholder group").

(b) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 9):

'000 RUR	2009	2008
Salaries and bonuses	79 567	83 568
Contributions to State pension fund	1 472	1 719
Long-service bonus	149 641	13 964
	230 680	99 251

(c) Transactions with other related parties

Other related parties are entities which belong to the Group's ultimate shareholders.

The Group's other related party transactions are disclosed below.

(i) Revenue

'000 RUR	Transaction value 2009	Transaction value 2008	Outstanding balance 2009	Outstanding balance 2008
Services provided:				
Other related parties	21 013	2 801	4 374	1 541
	21 013	2 801	4 374	1 541

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(ii) Expenses

'000 RUR	Transaction value 2009	Transaction value 2008	Outstanding balance 2009	Outstanding balance 2008
Consulting fees regarding purchase of land plot:				
Other related parties	-	(40 437)	-	-
Other services received:				
Other related parties	(18 470)	(345)	(71)	886
Finance costs:				
Other related parties	(207 384)	(222 980)		
	(225 854)	(263 762)	(71)	886

In the table above finance costs do not include RUR 39 384 thousand of interest costs, which were capitalised and thus increased initial cost of the Group's property, plant and equipment (2008: RUR 27 277 thousand).

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(iii) Loans

'000 RUR	Amount loaned 2009	Amount loaned 2008	Outstanding balance 2009	Outstanding balance 2008
Loans received:				
Other related parties	(1 288 623)	(5 254 863)	(2 162 758)	(2 453 785)
Loans given:				
Other related parties	-	-	-	588

The loans from other related parties bear interest at 9-10% per annum and RUR 813 884 thousand are repayable within 6-12 months and RUR 1 348 874 thousand are repayable within 1-5 years.

(d) Pricing policies

Related party transactions are not necessarily based on market prices.

During 2008 shareholders made contributions in kind disclosed in additional paid in capital in the amount of RUR 740 461 thousand. This contribution included land plot located in Moscow region.

31 Subsidiaries

Subsidiary	Country of incorporation	2009 Ownership/voting	2008 Ownership/voting
LLC O'Key	Russian Federation	100%	100%
JSC Dorinda	Russian Federation	100%	100%
JSC Mir Torgovli	Russian Federation	100%	100%
Axus Financial Ltd	BVI	100%	100%
Stoxx Investments Ltd	BVI	100%	100%
Starligton Ltd	Cyprus	100%	100%
Batisto Ltd	Cyprus	100%	100%
O'Key Investments (Cyprus) Ltd	Cyprus	100%	100%
Denovex Limited	Cyprus	100%	100%
Dextenco Co. Limited	Cyprus	100%	100%
Filorus Limited	Cyprus	100%	100%
Legondia Co. Limited	Cyprus	100%	100%
Lonmax Limited	Cyprus	100%	100%
Marcopia Limited	Cyprus	100%	100%
Naviline Limited	Cyprus	100%	100%
Ricandano Co. Limited	Cyprus	100%	100%
LLC Dorinda Invest	Russian Federation	100%	100%
LLC Premium	Russian Federation	100%	100%
LLC Elart	Russian Federation	100%	100%
LLC Legion	Russian Federation	100%	100%
LLC O'Key Group	Russian Federation	100%	100%
LLC O'Key Logistics	Russian Federation	100%	100%
LLC Vendor	Russian Federation	100%	100%
PLC KSSK	Russian Federation	100%	100%
JSC DRSU-34	Russian Federation	100%	100%
JSC Baltika	Russian Federation	100%	100%
LLC Dorinda-Murmansk	Russian Federation	100%	100%
LLC O'Key-Finans	Russian Federation	100%	100%
LLC Vega	Russian Federation	100%	100%
LLC Gradstroytsentr	Russian Federation	100%	100%
LLC Grand	Russian Federation	100%	100%

Subsidiary	Country of incorporation	2009 Ownership/voting	2008 Ownership/voting
LLC Invest-Neva	Russian Federation	100%	100%
LLC Krona	Russian Federation	100%	100%
LLC Skladservis	Russian Federation	100%	100%
LLC Sovagro	Russian Federation	100%	100%
LLC Stroyexpert	Russian Federation	100%	100%
LLC Talan	Russian Federation	100%	100%
LLC Tellara	Russian Federation	100%	100%
LLC Triumfalnaya Marka	Russian Federation	100%	100%
LLC Donskaya Zvezda	Russian Federation	100%	100%
LLC N.E.F.-Saint-Petersburg	Russian Federation	100%	100%
LLC Taifun	Russian Federation	100%	100%
LLC Photon	Russian Federation	100%	100%
LLC Tagar	Russian Federation	100%	100%
LLC Tagar-City	Russian Federation	100%	100%
LLC Region	Russian Federation	100%	100%
LLC Tandem Group	Russian Federation	100%	-
LLC Dunaiskoe	Russian Federation	-	100%
LLC Krona-1	Russian Federation	-	100%
LLC Reiki	Russian Federation	-	100%
LLC Severnoe	Russian Federation	-	100%
LLC Stroymarket	Russian Federation	-	100%
LLC Sinopskaya Naberezhnaya	Russian Federation	-	100%
LLC Baltyisky prostor	Russian Federation	-	100%

During 2009 LLC Sinopskaya Naberezhnaya was merged with LLC N.E.F.-Saint-Petersburg.

In 2009 the Group merged its subsidiaries LLC Dunaiskoe, LLC Krona-1, LLC Reiki, LLC Severnoe, LLC Stroymarket, LLC Baltyisky prostor into newly established entity LLC 'Tandem Group'. LLC 'Tandem Group' was liquidated in February 2010. The contribution of these subsidiaries to the profit for the year and the effect of liquidation of the subsidiaries on the Group's assets and liabilities were not significant.

The Group has 50% share in joint venture LLC 'Adamant-Diksi' which is accounted for using proportionate consolidation method. Contribution of LLC 'Adamant-Diksi' to the Group's profit for the year and effect on Group's assets and liabilities is not significant.

32 Events subsequent to the reporting date

In May 2010 the Group has committed to purchase right of long-term land lease from third party for the amount of RUR 240 655 thousand.

Subsequent to the balance sheet date the Group has entered into bank loan agreements totaling RUR 3 000 000 thousand. The agreements have maturities from 1 to 2 year and bear interest in the range 9,0 – 10,8%.