Open Joint Stock Company “Magnit” and its subsidiaries

Condensed Consolidated Interim Financial Statements
Six Month Period Ended 30 June 2010
(Unaudited)

OPEN JOINT STOCK COMPANY “MAGNIT” AND ITS SUBSIDIARIES

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OPEN JOINT STOCK COMPANY "MAGNIT" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent review report on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the condensed consolidated interim financial statements of Open Joint Stock Company "Magnit" and its subsidiaries (the "Group").

Management is responsible for the preparation of condensed consolidated interim financial statements that present fairly the financial position of the Group at 30 June 2010 and the results of its operations, changes in equity and cash flows for the six months period then ended, in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34").

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34, has been followed, subject to any material departures disclosed and explained in the condensed consolidated interim financial statements; and
- Preparing the condensed consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed consolidated interim financial statements for the six months period ended 30 June 2010 were approved by the Board of Directors of Open Joint Stock Company "Magnit" and authorized to be signed and issued on behalf of the Board on 19 August 2010 by:

Sergey Galitskiy
Chief Executive Officer

Khachatur Pombukhchan
Chief Financial Officer

19 August 2010
Moscow, Russia

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INDEPENDENT REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of OJSC "Magnit":

We have reviewed the accompanying condensed consolidated interim financial statements of OJSC "Magnit" and subsidiaries (collectively – the "Group") which comprise of the condensed consolidated interim statement of financial position as of 30 June 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche CIS

19 August 2010

OPEN JOINT STOCK COMPANY "MAGNIT" AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010

(In thousands of US Dollars)

	Notes	Six months ended June 2010	Six months ended June 2009
REVENUE	6	3,447,718	2,377,813
COST OF SALES	7	(2,707,208)	(1,823,838)
GROSS PROFIT		740,510	553,975
Selling expenses	8	(32,535)	(19,696)
General and administrative expenses	9	(531,151)	(366,474)
Investment income		1,646	971
Finance costs		(9,963)	(29,146)
Other income		9,163	8,678
Other expenses		(2,812)	(930)
Foreign exchange gain		2,134	3,100
		(563,518)	(403,497)
PROFIT BEFORE INCOME TAX		176,992	150,478
INCOME TAX	10	(45,779)	(32,555)
PROFIT FOR THE PERIOD		131,213	117,923
OTHER COMPREHENSIVE INCOME			
Loss on currency translation		(47,952)	(48,518)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(47,952)	(48,518)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		83,261	69,405
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent		131,213	117,923
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent		83,261	69,405
Basic and diluted earnings per share (in US Dollars per share)	11	1.47	1.42

The notes on pages 7 to 30 form an integral part of these consolidated interim financial statements.

Signed on behalf of the Board:

Sergey Galitskiy
Chief Executive Officer

19 August 2010

Khachatur Pombukhchan
Chief Financial Officer

19 August 2010

OPEN JOINT STOCK COMPANY "MAGNIT" AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010
(In thousands of US Dollars)

	Notes	30 June 2010	31 December 2009
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	1,896,023	1,638,460
Land lease right	13	27,325	24,812
Intangible assets	14	3,772	3,718
Total non-current assets		1,927,120	1,666,990
CURRENT ASSETS:			
Merchandise	15	468,998	415,152
Trade accounts receivable		71	243
Advances paid	16	23,213	31,045
Other receivables	17	26,166	32,913
Prepaid expenses		4,452	4,541
Short-term loans	18	8,321	6,579
Income tax prepayment		3,408	-
Cash and cash equivalents	19	51,534	371,045
Total current assets		586,163	861,518
TOTAL ASSETS		**2,513,283**	**2,528,508**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	32	32
Treasury shares		(5,557)	(5,557)
Share premium	20	1,007,823	1,007,823
Foreign currency translation reserve		(221,754)	(173,802)
Retained earnings		698,693	596,340
Equity attributable to equity holders of the parent		1,479,237	1,424,836
Total equity		1,479,237	1,424,836
NON-CURRENT LIABILITIES:			
Long-term loans and bonds	22	228,987	124,672
Long-term obligations under finance leases	23	14,099	27,600
Deferred tax liabilities		36,352	27,254
Total non-current liabilities		279,438	179,526
CURRENT LIABILITIES:			
Trade accounts payable		562,958	572,324
Other payables and accrued expenses	24	87,186	80,145
Dividends payable	21	13,939	-
Income tax payable		-	5,088
Short-term obligations under finance leases	23	25,461	28,433
Short-term loans	25	65,064	238,156
Total current liabilities		754,608	924,146
TOTAL LIABILITIES		1,034,046	1,103,672
TOTAL EQUITY AND LIABILITIES		**2,513,283**	**2,528,508**

The notes on pages 7 to 30 form an integral part of these consolidated interim financial statements.

OPEN JOINT STOCK COMPANY "MAGNIT" AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010
(In thousands of US Dollars)

	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings	Equity attributable to share-holders of the parent	Total
Balance at 1 January 2009	**30**	**(5,557)**	**646,028**	**(145,629)**	**341,916**	**836,788**	**836,788**
Net income	-	-	-	-	117,923	-	117,923
Other comprehensive income	-	-	-	(48,518)	-	-	(48,518)
Total comprehensive income for the period	-	-	-	(48,518)	117,923	69,405	69,405
Dividends declared	-	-	-	-	(17,755)	(17,755)	(17,755)
Payment of additional contingent consideration for purchase of LLC "Magnit Nizhniy Novgorod"	-	-	-	-	(794)	(794)	(794)
Balance at 30 June 2009	**30**	**(5,557)**	**646,028**	**(194,147)**	**441,290**	**887,644**	**887,644**
Balance at 1 January 2010	**32**	**(5,557)**	**1,007,823**	**(173,802)**	**596,340**	**1,424,836**	**1,424,836**
Net income	-	-	-	-	131,213	-	131,213
Other comprehensive income	-	-	-	(47,952)	-	-	(47,952)
Total comprehensive income for the period	-	-	-	(47,952)	131,213	83,261	83,261
Dividends declared (Note 21)	-	-	-	-	(28,860)	(28,860)	(28,860)
Balance at 30 June 2010	**32**	**(5,557)**	**1,007,823**	**(221,754)**	**698,693**	**1,479,237**	**1,479,237**

The notes on pages 7 to 30 form an integral part of these condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY “MAGNIT” AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2010
(In thousands of US Dollars)

	Notes	Six months ended 30 June 2010	Six months ended 30 June 2009
OPERATING ACTIVITIES:			
Profit before tax		176,992	150,478
Adjustments for:			
Depreciation		65,311	44,892
Amortization		1,143	683
Loss on disposal of property, plant and equipment		1,817	46
Change in provision for doubtful receivables		(41)	1,447
Foreign exchange gain		(2,134)	(3,100)
Finance cost		9,963	29,146
Investment income		(1,646)	(971)
Operating cash flow before movements in working capital		251,405	222,621
Decrease in receivables		149	373
Decrease in advances paid		7,832	813
Decrease in other receivables		6,895	5,279
Decrease/(increase) in prepaid expenses		89	(2,409)
Increase in merchandise		(53,846)	(23,247)
Decrease in trade accounts payable		(9,366)	(101,105)
Increase in other payables and accrued expenses		7,041	8,970
Cash generated by operations		210,199	111,295
Income tax paid		(41,727)	(37,763)
Interest paid		(11,681)	(29,048)
Net cash generated by operating activities		156,791	44,484
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(388,687)	(152,077)
Purchase of intangible assets		(1,218)	(1,942)
Purchase of land lease right		(5,897)	(3,001)
Purchase of non-controlling interest in LLC “Magnit-Nizhniy Novgorod”		-	(34,830)
Proceeds from disposal of property, plant and equipment		5,124	1,762
Loans provided		(7,054)	(25,597)
Repayment of loans provided		6,958	25,111
Net cash used in investing activities		(390,774)	(190,574)
FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		907,935	718,187
Repayment of short-term borrowings		(974,994)	(640,913)
Repayment of obligations under finance leases		(13,825)	(10,110)
Dividends paid		(17,059)	(8,978)
Net cash generated by financing activities		(97,943)	58,186
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		12,415	24,460
NET DECREASE IN CASH AND CASH EQUIVALENTS		(319,511)	(63,444)
CASH AND CASH EQUIVALENTS, beginning of the period	19	371,045	115,055
CASH AND CASH EQUIVALENTS, end of the period	19	51,534	51,611

The notes on pages 7 to 30 form an integral part of these condensed consolidated interim financial statements.

(In thousands of US Dollars)

1. NATURE OF THE BUSINESS

Close Joint Stock Company Magnit ("Magnit") was incorporated in Krasnodar, Russian Federation, in November 2003. In 2005, Magnit's shareholders completed a group reorganization whereby Magnit became the holding company of a group of previously commonly controlled retail entities, CJSC "Tander" ("Tander") and its subsidiaries. In January 2006 Magnit changed its legal form to that of an Open Joint Stock Company "Magnit" (the "Company" or OJSC "Magnit"). There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company.

OJSC "Magnit" and its subsidiaries (the "Group") operate in the retail and distribution of consumer goods under the "Magnit" name. The Group operates primarily in the retail sector through convenience stores and hypermarkets. The Group's has immaterial wholesale operations that are expected to be wound down in the near term.

The principal retail business operations are carried out through its subsidiary Tander. All of the Group's operational activities are conducted in the Russian Federation. The principal operating office of the Group is situated at 15/2 Solnechnaya St., 350072 Krasnodar, Russian Federation.

The principal activities of the Company's subsidiaries all of which are incorporated in the Russian Federation, and the effective ownership percentages are as follows:

Company name	Principal Activity	Ownership Interest 30 June 2010	Ownership Interest 31 December 2009
CJSC "Tander"	Food retail and wholesale	100%	100%
LLC "Magnit Finance"	Issuer of the Group's bonds	100%	100%
LLC "BestTorg"	Food retail in the city of Moscow and the Moscow region	100%	100%
LLC "Tander-Magnit"	Food retail in the Moscow region	100%	100%
LLC "Selta"	Transportation services for the Group	100%	100%
LLC "Project M"	Food retail in Saint-Petersburg	100%	100%
LLC "Magnit-Nizhniy Novgorod"	Holding company of LLC "Tandem"	100%	100%
LLC "Tandem"	Food retail in Nizhniy Novgorod	100%	100%
LLC "Alkotrading"	License holder for alcohol sales	100%	100%

At 30 June 2010 and 31 December 2009 the shareholding structure of the Company was as follows:

Shareholder	30 June 2010		31 December 2009	
	Number of shares	Ownership interest, %	Number of shares	Ownership interest, %
Galitskiy S.N.	36,563,000	41.09%	36,074,229	40.54%
Labini Investments Ltd. (Cyprus)	2,317,112	2.60%	3,233,025	3.63%
Lavreno Ltd. (Cyprus)	4,738,350	5.33%	4,786,000	5.38%
Gordeichuk V.E.	2,599,100	2.92%	2,599,100	2.92%
Other (Group's management)	612,564	0.69%	903,774	1.02%
Free float	42,144,947	47.37%	41,378,945	46.51%
Total	**88,975,073**	**100%**	**88,975,073**	**100%**

2. PRESENTATION OF FINANCIAL STATEMENTS

Basis of Presentation – The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The term IFRS includes standards and interpretations approved by the International Accounting Standards Board ("IASB"), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The balance sheet as at 31 December 2009 has been derived from the balance sheet included in the Group's financial statements for the year ended 31 December 2009. These condensed consolidated interim financial statements do not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

All entities of the Group maintain their accounting records in Russian Roubles in accordance with the accounting and reporting regulations of the Russian Federation. Russian statutory accounting principals and procedures differ substantially from those generally accepted under IFRS. Accordingly, the condensed consolidated interim financial statements which have been prepared from the Group's Russian statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The condensed consolidated interim financial statements of the Group are prepared on the historical cost basis.

Going concern

The going concern assumption has been applied in the preparation of the annual financial statements. The Group has secured significant credit facilities for 2010. The directors believe there is sufficient financial support to continue the Group's operating, investing and financing activities. The Group's management has carefully investigated the demand for financial facilities and believes in the future profitability of the business. Management is of the opinion that the Group will continue as a going concern.

Use of Estimates and Assumptions – The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

3. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the Group's financial statements for the year ended 31 December 2009, except as described below.

In the current period, the Group has adopted all of the following new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2010.

- Amendments resulting from Annual Improvements to IFRSs;
- IFRS 3 (revised 2008) *Business combinations;*
- IAS 27 (revised 2008) *Consolidated and separate financial statements.*

The most significant changes to the Group's previous accounting policies arising out of the new standards relate to business combinations arising and are as follows:

- Acquisition related costs which previously would have been included in the cost of a business combination are included in administrative expenses as they are incurred;
- Any pre-existing equity interest in the entity acquired is remeasured to fair value at the date of obtaining control, with any resulting gain or loss recognised in profit or loss;
- Any changes in the Group's ownership interest subsequent to the date of obtaining control are recognised directly in equity, with no adjustment to goodwill; and
- Any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in profit or loss. Previously, such changes resulted in an adjustment to goodwill.

The first-time application of the aforementioned amendments to standards from 1 January 2010 had no material effects on the interim financial statements of the Group for the period ended 30 June 2010.

At the date of approval of the Group's consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

New or revised Standards and Interpretations	**Effective for accounting periods beginning on or after**
IFRS 3 Business Combinations	1 July 2010
IFRS 7 Financial Instruments: Disclosures	1 January 2011
IFRS 9 Financial Instruments	1 January 2013
IAS 1 Presentation of Financial Statements	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
IAS 27 Consolidated and Separate Financial Statements	1 July 2010
IAS 34 Interim Financial Reporting	1 January 2011
IFRIC 13 Customer Loyalty Programmes	1 January 2011
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010

The impact of adoption of these Standards and Interpretations in the preparation of consolidated financial statements in the future periods is currently being assessed by the Group's management.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation – The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as those of the holding company; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them into line with those of the Group.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations – Acquisitions of subsidiaries and businesses from third parties are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Common Control Transactions – Acquisitions of entities under common control are accounted for on a carryover basis, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Company. The consolidated historical financial statements of the Group are retrospectively restated to reflect the effect of the acquisition as if it occurred during the period in which the entities were under common control. Any difference between the purchase price and the net assets acquired is reflected in equity.

Disposal of entities under common control are reflected through a retrospective restatement of the financial statements to reflect the effect of the disposal as if it occurred during the period in which the entities were under common control. Any difference between the proceeds received from the disposal and the net assets disposed of is reflected in equity.

Investments in Associates – An associate is an enterprise over which the Group is in a position to exercise significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance forms part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as the part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition after re-assessment is recognised immediately in the statement of comprehensive income.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill – Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of acquisition, the amount of any non-controlling interest in the acquire and the fair value of the Group's previously held equity interest (if any) in the entity over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units (CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount, which is the higher of fair value less costs to sell or value in use, of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Treasury Shares – If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of a Group's own equity instruments. Such treasury shares may be acquired and held by the Company or by other subsidiaries of the Group.

Revenue Recognition – The Group generates and recognizes sales to retail customers at the point of sale in its stores and to wholesale customers at the point of sale in its distribution centers. Retail sales are in cash. Revenues are measured at the fair value of the consideration received or receivable, recognized net of value added tax and are reduced for estimated customer returns. Historical information in relation to the timing and frequency of customer returns is used to estimate and provide for such returns at the time of sale.

Earnings per Share – Earnings per share have been determined using the weighted average number of the Group's shares outstanding during the six months period ended 30 June 2010 and 30 June 2009. The Group does not have any potentially dilutive equity instruments.

Functional and Presentation Currency – The functional currency of the Group's entities, which reflects the economic substance of its operations, is the Russian Rouble ("RUB").

The presentation currency of the condensed consolidated interim financial statements is the United States of America Dollar ("USD") as it is a more relevant presentation currency for international users of the condensed consolidated interim financial statements of the Group.

The translation from RUB (functional currency of the Group) into USD (presentation currency) is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each condensed consolidated interim balance sheet presented;
- All items included in the condensed consolidated interim statement of changes in equity, other than profit for the period, are translated at historical exchange rates;
- All income and expenses in each condensed consolidated interim income statement are translated at the average exchange rates for the periods presented; and
- In the condensed consolidated interim cash flow statement, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates of the beginning and end of each period. All cash flows are translated at the average exchange rates for the periods presented. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as "Effect of foreign exchange rates on cash and cash equivalents".

The RUB is not a freely convertible currency outside the Russian Federation and, accordingly, any translation of RUB denominated assets and liabilities into USD for the purpose of these condensed consolidated interim financial statements does not imply that the Group could or will in the future realise or settle in USD the translated values of these assets and liabilities.

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

Historical cost information was not available in relation to buildings purchased prior to 1 January 2004. Therefore, management has used valuations performed by independent professionally qualified appraisers to arrive at the fair value cost as of the date of transition to IFRS and deemed those values as cost. The basis of valuation was fair value, which is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Some of the property, plant and equipment are of a specialized nature and their fair values were considered to approximate their depreciated replacement cost. Depreciated replacement cost is estimated based on the property's current replacement cost adjusted for accumulated depreciation, including physical depreciation and functional and economic obsolescence.

Cost includes major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful economic lives of the related assets are:

Description	**Useful life, years**
Buildings	30
Machinery and equipment	3-14
Other fixed assets	3-5

Other fixed assets consist of vehicles and other relatively small groups of fixed assets.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is made.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Land lease rights – Land lease right acquired as part of hypermarket development projects is separately reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful life is estimated to be 49 years.

Intangible Assets – Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives.

Lease rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, lease rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation of lease rights and other intangible assets is charged to profit and loss on a straight-line basis over their estimated useful lives.

The following useful lives are used in the calculation of amortisation:

Description	**Useful life, years**
Licenses	4
Lease rights (convenience stores)	7
Software	2
Trade mark	9
Other	3

Impairment of Tangible and Intangible Assets Excluding Goodwill – At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

Finance Leases – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Merchandise – Merchandise is stated at the lower of cost or net realizable value. Cost comprises the direct cost of goods, transportation and handling costs. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Provisions – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Vendor Allowances – The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor or the cost of promotional activities conducted by the Group that benefit the vendor. Volume-related rebates and other payments received from suppliers are recorded as a reduction in the price paid for the products and are recognised in cost of goods sold in the period the products are sold. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Income Taxes – Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with the laws of the countries where the Group operates. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the consolidated profit and loss, except when they relate to items credited or debited outside profit or loss, either in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Retirement Benefit Costs – The operating entities of the Group contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the profit and loss as incurred. There is no unfunded element at the reporting date.

Bonus plan – In 2009, the Group initiated a bonus program whereby the Group has agreed to pay, at its discretion, cash bonuses to employees after the individual completes two years of service. The amount of the cash bonus, if paid, will be based on the market price of the Group's shares on that date times a fixed number of shares as indicated in the employment contract of each individual. The compensation expense is recognized over the two-year service period based on its assessment that it is probable the amounts will be paid. The amount of the cash liability is remeasured each period with any changes recognised in profit or loss at the end of each reporting period in proportion to the service period already provided by the employee. The remaining change in liability is recognised over the residual service period. The liability will also be remeasured at the date of settlement, with any changes recognised in profit or loss.

The fair value of the liability is determined based on the market value of shares at the end of each reporting period adjusted for expected employee turnover.

Segment Reporting – The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different types of stores and in various states within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores, including both convenience stores and hypermarkets, and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8.

Seasonality – The Group's business operations are not influenced by seasonality factors, except for the increase of business activities before the New Year holidays.

Borrowing Costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Financial Assets

General Description – Financial assets are classified into the following specified categories: at fair value through profit or loss ("FVTPL"); held-to-maturity investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective Interest Method – The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets designated as at FVTPL.

Financial Assets at FVTPL – Financial assets are classified at FVTPL where the financial asset is either held for trading or it is designated at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit and loss. The net gain or loss recognised in the profit and loss incorporates any dividend or interest earned on the financial asset.

Held-to-Maturity Investments – Promissory notes with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with income recognised on an effective yield basis.

AFS Financial Assets – Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

For AFS investments for which there are no reliable market information to determine fair value, the investments are carried at cost.

Loans and Receivables – Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of Financial Assets – The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments issued by the Group

Classification as Debt or Equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities – Financial liabilities of the Group, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial Liabilities at FVTPL – Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been incurred principally for the purpose of repurchasing in the near future, or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments.

Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities – Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of Financial Liabilities – The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas requiring the use of management estimates and assumptions relate to useful economic lives of property, plant and equipment; impairment of assets and taxation.

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available.

The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products. Despite the current downturn in the economic environment, the Group has assumed continuous market growth and increase in demand for its products. These assumptions are based on the fact that the Group operates in a low-margin retail market which has seen increases in volume and demand as a result of more cost-conscious consumers.

Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

Useful economic life of property, plant and equipment

The Group's property, plant and equipment, are depreciated using the straight-line method over their estimated useful lives which are determined based on the Group's management business plans and operational estimates, related to those assets.

The Group's management periodically reviews the appropriateness of the useful economic lives. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Changes in the useful economic life of property, plant and equipment will be recognized prospectively in the income statement.

Taxation

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the Russian Federation tax legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether it is probable additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

6. REVENUE

Revenue for the six months ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Retail	3,446,822	2,372,727
Wholesale	896	5,086
Total	**3,447,718**	**2,377,813**

7. COST OF SALES

Cost of sales for the six months ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Retail	2,706,392	1,818,934
Wholesale	816	4,904
Total	**2,707,208**	**1,823,838**

Cost of sales, classified by nature, for the six months ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Changes in inventories (Cost of goods sold)	2,587,562	1,779,274
Transportation expenses	81,165	30,042
Inventory write-off	38,481	14,522
Total	**2,707,208**	**1,823,838**

8. SELLING EXPENSES

Selling expenses for the six months ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Depreciation	11,968	8,188
Packaging and raw materials	11,663	6,516
Advertising	6,799	3,217
Fuel	2,012	1,606
Transportation	93	169
Total	**32,535**	**19,696**

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Payroll	243,589	167,748
Rent and utilities	120,136	80,855
Payroll related taxes	61,304	42,166
Depreciation	53,343	36,704
Taxes, other than income tax	14,378	9,383
Bank services	9,125	6,180
Repairs and maintenance	8,584	6,455
Security	4,456	2,787
Provision for unused vacations	3,288	2,811
Bad debt (reversal)/provision	(41)	1,447
Other expenses	12,989	9,938
Total	**531,151**	**366,474**

10. INCOME TAX

The Group's provision for income tax for the six months ended 30 June 2010 and 30 June 2009 is as follows:

	6 months 2010	6 months 2009
Current tax	35,478	30,607
Deferred tax	10,301	1,948
Total income tax expense	**45,779**	**32,555**

The increase in deferred tax liability from USD 27,254 thousand as at 31 December 2009 to USD 36,352 thousand as at 30 June 2010 relates to the increase in purchase of property, plant and equipment during the six months ended 30 June 2010. The Group elected to use tax concessions which allow the entities incorporated in the Russian Federation to deduct from 10% to 30% of the cost of newly purchased or constructed property, plant and equipment.

11. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the six months period ended 30 June 2010 and 30 June 2009 have been calculated on the basis of the net profit for the period and the weighted average number of common shares in issue during the six months period ended 30 June 2010 and 30 June 2009.

The calculation of earnings per common share for the six months ended 30 June 2010 and 30 June 2009 was as follows:

	6 months 2010	6 months 2009
Profit for the period attributable to equity holders of the parent (in thousand of US Dollars)	131,213	117,923
Weighted average number of shares (in thousand of shares)	88,975	83,246
Basic earnings per share (in US Dollars)	**1.47**	**1.42**
Diluted earnings per share (in US Dollars)	**1.47**	**1.42**

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 30 June 2010 and 31 December 2009 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Construction in progress	Equipment under finance lease	Total
Cost							
At 1 January 2009	63,967	708,037	289,096	64,693	280,856	92,136	1,498,785
Additions	5,964	-	32,656	2,272	111,185	21,803	173,880
Transfers	1,874	100,492	-	-	(102,366)	-	-
Disposals	(62)	(639)	(336)	(40)	(957)	-	(2,034)
Transfer from land lease right	-	11	-	-	431	-	442
Transfer from lease to fixed assets	-	-	-	1,320	-	(1,320)	-
Currency translation adjustment	(3,464)	(37,528)	(15,706)	(3,971)	(16,673)	(4,460)	(81,802)
At 30 June 2009	68,279	770,373	305,710	64,274	272,476	108,159	1,589,271
At 1 January 2010	83,037	954,756	383,591	91,213	287,467	105,216	1,905,280
Additions	17,130	-	51,693	51,673	268,191	-	388,687
Transfers	-	140,716	-	428	(141,144)	-	-
Disposals	(2,703)	(2,142)	(1,175)	(454)	(1,780)	-	(8,254)
Transfer from land lease right	2,256	105	-	-	45	-	2,406
Transfer from lease to fixed assets	-	-	-	190	-	(190)	-
Currency translation adjustment	(3,135)	(34,126)	(13,527)	(4,655)	(13,089)	(3,200)	(71,732)
At 30 June 2010	96,585	1,059,309	420,582	138,395	399,690	101,826	2,216,387
Accumulated Depreciation							
At 1 January 2009	-	(27,440)	(110,877)	(19,189)	-	(10,215)	(167,721)
Charge for the period	-	(11,353)	(24,829)	(2,216)	-	(6,494)	(44,892)
Eliminated on disposals	-	6	192	28	-	-	226
Transfer from lease to fixed assets	-	-	-	(577)	-	577	-
Currency translation adjustment	-	1,127	5,227	1,083	-	302	7,739
At 30 June 2009	-	(37,660)	(130,287)	(20,871)	-	(15,830)	(204,648)
At 1 January 2010	-	(53,310)	(165,028)	(27,371)	-	(21,111)	(266,820)
Charge for the period	-	(17,339)	(35,517)	(5,828)	-	(6,627)	(65,311)
Eliminated on disposals	-	205	937	171	-	-	1,313
Transfer from lease to fixed assets	-	-	-	(59)	-	59	-
Currency translation adjustment	-	2,244	6,288	1,041	-	881	10,454
At 30 June 2010	-	(68,200)	(193,320)	(32,046)	-	(26,798)	(320,364)
Net Book Value							
At 1 January 2010	83,037	901,446	218,563	63,842	287,467	84,105	1,638,460
At 30 June 2010	96,585	991,109	227,262	106,349	399,690	75,028	1,896,023

The Group also disposed of certain property, plant and equipment with carrying amounts of USD 6,941 thousand for proceeds of USD 5,124 thousand, which resulted in a loss on sale of USD 1,817 thousand (6 month 2009: loss on sale of USD 971 thousand)

13. LAND LEASE RIGHT

Land lease right as of 30 June 2010 and 31 December 2009 consisted of the following:

	Land Lease Right
Cost	
At 1 January 2009	**18,037**
Additions	3,001
Transfer	-
Disposals	-
Transfer from lease to FA	-
Currency translation adjustment	(959)
At 30 June 2009	20,079
At 1 January 2010	**25,552**
Additions	5,897
Transfer	-
Disposals	-
Transfer from lease to FA	(2,256)
Currency translation adjustment	(911)
At 30 June 2010	**28,282**
Accumulated Amortization	
At 1 January 2009	**-**
Charge for the year	-
Eliminated on disposals	-
Transfer for the year to property, plant and equipment	(442)
Currency translation adjustment	(25)
At 30 June 2009	**(467)**
At 1 January 2010	**(740)**
Charge for the year	(99)
Eliminated on disposals	-
Transfer for the year to property, plant and equipment	(150)
Currency translation adjustment	32
At 30 June 2010	**(957)**
Net Book Value	
At 1 January 2010	**24,812**
At 30 June 2010	**27,325**

14. INTANGIBLE ASSETS

Intangible assets as of 30 June 2010 and 31 December 2009 consisted of the following:

	Licenses	Lease rights	Software	Trade mark	Other	Total
Cost						
At 1 January 2009	385	691	1,574	123	167	2,940
Additions	132	388	1,388	4	30	1,942
Disposals	(66)	(46)	(89)	-	(9)	(210)
Currency translation adjustment	(21)	(23)	(24)	(7)	(7)	(82)
At 30 June 2009	430	1,010	2,849	120	181	4,590
At 1 January 2010	559	1,288	3,737	131	202	5,917
Additions	143	2	1,026	-	47	1,218
Disposals	(50)	(106)	(759)	(3)	(21)	(939)
Currency translation adjustment	(21)	(36)	(123)	(4)	(7)	(191)
At 30 June 2010	631	1,148	3,881	124	221	6,005
Accumulated Amortization						
At 1 January 2009	(125)	(265)	(598)	(51)	(125)	(1,164)
Charge for the year	(81)	(80)	(497)	(7)	(18)	(683)
Eliminated on disposals	60	46	66	-	7	179
Currency translation adjustment	7	14	12	2	7	42
At 30 June 2009	(139)	(285)	(1,017)	(56)	(129)	(1,626)
At 1 January 2010	(177)	(381)	(1,437)	(66)	(138)	(2,199)
Charge for the year	(108)	(116)	(783)	(7)	(30)	(1,044)
Eliminated on disposals	50	106	759	3	21	939
Currency translation adjustment	8	13	45	1	4	71
At 30 June 2010	(227)	(378)	(1,416)	(69)	(143)	(2,233)
Net Book Value						
At 1 January 2010	**382**	**907**	**2,300**	**65**	**64**	**3,718**
At 30 June 2010	**404**	**770**	**2,465**	**55**	**78**	**3,772**

15. MERCHANDISE

Merchandise as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Goods for resale	440,009	388,548
Raw materials	28,989	26,604
Total	**468,998**	**415,152**

16. ADVANCES PAID

Advances paid as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Advances to third party suppliers	21,249	29,263
Advances to employees	1,964	1,782
Total	**23,213**	**31,045**

17. OTHER RECEIVABLES

Other receivables as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Other receivables from related parties	7,017	4,970
Other taxes receivable	2,609	592
Claims to suppliers	735	624
Settlements with employees	281	422
Advances on customs duties	5,340	17,309
Other	8,279	7,906
Value Added Tax	4,515	3,848
Less: provision for doubtful other receivables	(2,610)	(2,758)
Total	**26,166**	**32,913**

Other mainly consists of accounts receivable for sublease of premises and some other minor items.

18. SHORT-TERM LOANS

Short-term investments as of 30 June 2010 and 31 December 2009 consisted of the following:

	Weighted average interest rate	30 June 2010	Weighted average interest rate	31 December 2009
Short-term loans to third parties	9.11%	1,115	14.51%	6,221
Short-term loans to related parties	10.52%	7,206	6.00%	358
Total		**8,321**		**6,579**

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Cash in banks, in RUB	18,673	51,598
Petty cash, in RUB	11,233	11,784
Cash on deposit in USD	-	5,200
Cash in banks, in RMB	15	7
Cash in transit, in RUB	21,613	42,747
Cash on deposit, in RUB	-	259,709
Total	**51,534**	**371,045**

Cash in transit represents cash collected by the bank from the Group's stores as of the end of the working day and not deposited to the bank account as of 30 June 2010 and 31 December 2009.

20. SHARE CAPITAL AND SHARE PREMIUM

Share capital as at 30 June 2010 amounted to USD 32 thousand. The Group has not issued shares during the six month period ended 30 June 2010 (year ended 31 December 2009: 5,729 thousand shares, six-month period ended 30 June 2009: nil)

21. DIVIDENDS PROPOSED AND PAID

	6 month ended 30 June 2010	6 month ended 30 June 2009	Year ended 31 December 2009
Dividends declared relating to 2009			
(0.32 USD for 1 share)	28,860		
Income tax paid to budget relating to 2009	2,247		
Dividends declared relating to 2008			
(0.05 USD for 1 share)		3,903	
Dividends declared for the first quarter 2009			
(0.15 USD for 1 share)		12, 726	
Income tax withheld and paid to budget		1,126	
Dividends declared for 2008 (0.05 USD for 1 share)			3,903
Dividends declared for the first quarter 2009			
(0.15 USD for 1 share)			12,726
Income tax withheld and paid to budget			3,307

As of 30 June 2010 the amount of liability for unpaid dividends is USD 13,939 thousand (31 December 2009: USD 2,199 thousand, 30 June 2009: USD 8,285 thousand).

22. LONG-TERM LOANS AND BONDS

Long-term loans and bonds as of 30 June 2010 and 31 December 2009 consisted of the following:

	Weighted average interest rate	30 June 2010	Weighted average interest rate	31 December 2009
Bonds issued in 2007	8.48%	161,921	8.26%	127,403
Alfa Bank	8.20%	70,523		
Current portion of long-term loans (Note 25)	8.48%	(3,457)	8.26%	(2,731)
Total		**228,987**		**124,672**

Bonds – As of 31 December 2009 the total amount outstanding was RUB 3,853,230 thousand (USD 127,403 thousand). During the six months ended 30 June 2010 bonds in amount of RUB 1,210,000 thousand (USD 38,788 thousand) held by a subsidiary of the Group were sold in the open market at a discount of RUB 51,285 thousand (USD 1,644 thousand). The total amount outstanding as at 30 June 2010 was RUB 5,000,000 thousand (USD 160,280 thousand), net of RUB 8,071 thousand (USD 259 thousand) of direct issue costs and net of the discount of RUB 48,590 thousand (USD 1,557 thousand) plus accrued interest of RUB 107,850 thousand (USD 3,457 thousand). The bonds are listed on the Moscow Interbank Currency Exchange (“MICEX”).

Alfa Bank – During the six months ended 30 June 2010, the Group has entered into a number of credit line agreements with Alfa Bank for borrowings of up to RUB 4,000,000 thousand (USD 128,224 thousand) maturing from June 2013 till September 2014. The total amount outstanding as at 30 June 2010 pursuant to these agreements is RUB 2,200,000 thousand (USD 70,523 thousand). The credit lines were unsecured as at 30 June 2010.

23. SHORT-TERM AND LONG-TERM OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases as of 30 June 2010 and 31 December 2009 consisted of the following:

	Minimum lease payments 30 June 2010	Minimum lease payments 31 December 2009	Present value of minimum lease payments 30 June 2010	Present value of minimum lease payments 31 December 2009
Amounts payable under finance leases				
Within one year	28,497	34,379	26,892	31,899
Between one and two years	12,451	22,747	10,703	18,583
Over two years	2,590	7,509	1,965	5,551
	43,538	64,635	39,560	56,033
Less: Future finance charges	(4,077)	(8,660)		
Effect of foreign exchange rates on leased obligations	99	58		
Present value of lease obligations	**39,560**	**56,033**	**39,560**	**56,033**
Less: Amount due for settlement within 12 months			(25,461)	(28,433)
Amount due for settlement after 12 months			**14,099**	**27,600**

Obligations under finance leases relate to vehicles with an average lease term of 3.43 years. The average borrowing rate associated with these leases for the six months ended 30 June 2010 and 30 June 2009 was 12.44% and 19.32%, respectively. Interest rates are fixed at the contract date and renegotiated annually to represent market rates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent lease payments.

Lease obligations under the lease contracts are denominated in RUB, USD and Euro. However, all lease payments are made in RUB.

24. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Accrued salaries and wages	35,096	31,469
Other accrued expenses	18,922	21,598
Unified Social Tax	10,010	8,170
Property tax	5,791	6,020
Personal Income Tax	5,448	4,902
Accrued bonus	2,877	114
Other payables to third parties	8,345	7,512
Other taxes	695	321
Other payables to related parties (Note 26)	2	39
Total	**87,186**	**80,145**

25. SHORT-TERM LOANS

Short-term loans as of 30 June 2010 and 31 December 2009 consisted of the following:

	Weighted average interest rate	30 June 2010	Weighted average interest rate	31 December 2009
BSGV	6.09%	32,216	13.27%	16,372
Credit Europe bank	5.65%	25,645	-	-
Absolut Bank	5.50%	3,206	-	-
Sberbank, Krasnodar branch	11.21%	540	-	-
Alfa Bank	-	-	6.07%	214,917
KB Systema	-	-	14.00%	4,133
Other short-term loans	-	-	12.60%	3
Current portion of bonds (Note 23)	8.48%	3,457	8.26%	2,731
Total		**65,064**		**238,156**

BSGV – Credit line agreements with BSGV allow for borrowings of up to RUB 1,100,000 thousand (USD 35,262 thousand) and mature in December 2010. The total amount outstanding as at 30 June, 2010 is RUB 1,004,995 thousand (USD 32,216 thousand). The credit lines were unsecured as of 30 June 2010.

Credit Europe bank – In May 2010 the Group has entered into a number of new credit line agreements with Credit Europe bank allowing for borrowings of up to RUB 1,000,000 thousand (USD 32,056 thousand) maturing in May 2011. The total amount outstanding as at 30 June 2010 is RUB 800,000 thousand (USD 25,645 thousand). The credit lines were unsecured as of 30 June 2010.

Absolut bank – In May 2010 the Group has entered into a number of credit line agreements with Absolut bank allowing for borrowings of up to RUB 700,000 thousand (USD 22,439 thousand) maturing in June 2011. The total amount outstanding as at 30 June 2010 is RUB 100,000 thousand (USD 3,206 thousand). The credit lines were unsecured as of 30 June 2010.

Sberbank, Krasnodar branch – In March 2010, the Group has entered into an overdraft agreement with Sberbank allowing borrowings of up to RUB 332,000 thousand (USD 10,643 thousand) maturing in September 2010. The total amount outstanding as at 30 June 2010 is RUB 16,785 thousand (USD 538 thousand), plus accrued interest of RUB 73 thousand (USD 2 thousand). The overdraft agreement was unsecured as at 30 June 2010.

The loan from Alfa Bank was repaid during 6 months 2010.

26. TRANSACTIONS WITH RELATED PARTIES

The Group enters into transactions with related parties in the ordinary course of business. The Group mainly purchases fixed assets from related parties and provides loans to related parties, allied with the Group through key management personnel.

Related party balances as of 30 June 2010 and 31 December 2009 consisted of the following:

	30 June 2010	31 December 2009
Short-term loans receivable	-	358
Other receivables	7,017	4,970
Trade payables	5	-
Other payables	2	39
Loans given	7,206	-

The Group's transactions with related parties for the six months period ended 30 June 2010 and 30 June 2009 consisted of the following:

	6 months 2010	6 months 2009
Purchases of property, plant and equipment	6,526	4,381
Rent received	122	78
Other sales	2,279	1,427
Rent paid	61	48
Purchases of merchandise	317	-
Loans given	7,175	9

Transactions with related parties are performed on terms that would not necessarily be available to third parties.

Loans to related parties mature in August 2010 – April 2011, are interest bearing and unsecured. The amounts outstanding to and from related parties are unsecured and will be settled in cash. No guarantees have been given or received.

The remuneration of Group management and members of the Board of directors of Group companies for the six months period ended 30 June 2010 and 30 June 2009 was USD 1,666 thousand and USD 1,311 thousand, respectively.

27. CAPITAL AND RENT COMMITMENTS

As of 30 June 2010 and 31 December 2009 the Group was party to a number of agreements related to the acquisition of property, plant and equipment:

	30 June 2010	31 December, 2009
Commitments for the acquisition of property, plant and equipment	250,491	184,413

The Group entered in a number of short-term and long-term rent agreements. The commitments fall due as follows:

	30 June 2010	31 December 2009
Within one year	124,881	108,949
In the second to fifth years, inclusive	196,679	145,328
After five years	38,239	30,483
Total	**359,799**	**284,760**

28. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date.

29. CONTINGENCIES

Litigation – The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position or operating results.

Russian Federation Tax and Regulatory Environment – The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Insurance – The insurance industry in the Russian Federation is in the process of development and many forms of insurance protection common in developed markets are not yet generally available in Russia. The Group does not fully cover many risks that a group of a similar size and nature operating in a more economically developed country would insure. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group's operations and financial position.

Operating Environment – Although in recent years there has been a general improvement in economic conditions in Russian Federation, Russian Federation continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Russian Federation continue to change rapidly. Tax, currency and customs legislation within Russian Federation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russian Federation. The future economic direction of Russian Federation is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

30. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to market movements in interest rates, foreign exchange rates and credit risk. A description of the Group's risk management policies in relation to these risks follows.

Interest Rate Risk – The Group is not exposed to interest rate risk as entities in the Group borrow funds at fixed rates.

Currency Risk – Currency risk is that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. With the exception of finance leases, materially all borrowings and trading activities are denominated in Russian Roubles.

Credit Risk – The Group's exposure to credit risk arises only with respect to wholesale activities. During recent years the volume of wholesale business activities has significantly decreased in relation to the total volume of sales. The Group intends to cease its wholesale activities in the near term. The Group is dealing with creditworthy counterparties, who have a good long term credit history. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

Liquidity risk management – Ultimate responsibility for liquidity risk management rests with the board of directors, which has built a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade accounts receivable, cash and cash equivalents, trade accounts payable, obligations under finance leases and loans and bonds.

Management believes the fair value of financial instruments classified as current by the Group (trade accounts receivable, advances paid, cash and cash equivalents, trade accounts payable, short-term obligations under finance leases and short term loans) approximate their carrying values due to their short term maturity.

Management also believes that the fair value of the Group's lease obligations and long-term loans approximates their carrying amount as the interest rates on the loans and finance leases were all recently renegotiated.

The fair values of the Group's bonds disclosed in Note 22 as of 30 June 2010 is USD 160,841 thousand (31 December 2009: USD 118,659 thousand, 30 June 2009: USD 92,506 thousand).