ПАВА
ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО

Open-End Joint-Stock Company "PAVA"

Independent Auditors' Report

Consolidated financial statements prepared in compliance with the International Financial Reporting Standards (IFRS) for the year ended 31 December 2009

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, to be considered in conjunction with the description of responsibilities of the independent auditors, included in the Independent Auditors' Report presented on page 6 herein, is made to distinguish responsibilities of the management and the auditors in respect of the Consolidated Financial Statements of PAVA JSC and its subsidiaries (hereinafter referred to as "the Group").

The Group's management is responsible for preparation of the Consolidated Financial Statements, giving true and fair view, in all material respects, of the Group's financial position as of 31 December 2009, and the results of its operation, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (*"IFRS"*).

The management's responsibilities as to preparation of the consolidated financial statements cover as follows:

- Selection of appropriate accounting policies and procedures and their consistent application;
- Application of judgments, estimates and assumptions that are reasonable in the circumstances;
- Observance of IFRS requirements, or disclosure and explanation of all material departures from IFRS, if any, in the Notes to Consolidated Financial Statements; and
- Preparation of consolidated financial statements based on going-concern assumption, unless the Company's ability to continue in business in foreseeable future is presumed inappropriate.

The management is also responsible for:
- Development, introduction and implementation of effective and reliable internal controls at all enterprises of the Group;
- Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with IFRS;;
- Provision of compliance with local legal and regulatory requirements on accounting and applicable Laws of the Russian Federation, in whose jurisdiction the Group's companies are;
- Taking authorized measures for provision of the Group's assets safety; and
- Prevention and revelation of fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2009 were approved by the management 24 May, 2010 and signed on their behalf by:

R.Y. Kazantsev	**N.V. Popova**
General Director	Chief Accountant

Barnaul, Russia

«24» May 2010

Intercom-Audit
LIMITED LIABILITY COMPANY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors PAVA OJSC

We have audited the accompanying consolidated financial statements of PAVA OJSC, which comprise consolidated financial statement of financial position as at 31 December 2009, consolidated income statement, consolidated statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's responsibility for preparation of the financial statements

The entity's management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards. This responsibility includes: designing, implementation and maintaining internal controls relevant to preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the financial position of PAVA JSC as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

"Intercom-Audit" LLC
Moscow, Russia
May 24, 2010

Askar Akhmetov ____________________
Managing Partner

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of US dollars and Russian rubles, except for earnings per share amounts denominated in US dollars and Russian rubles)

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Net sales of goods, work and services	**9**	139 657	160 893	4 430 368	4 000 171
Cost of sold goods, work and services	**10**	(122 149)	(124 076)	(3 874 960)	(3 084 815)
Gross profit		**17 508**	**36 817**	**555 408**	**915 356**
Administrative expenses	**11**	(8 072)	(15 147)	(256 085)	(376 586)
Selling and distribution expenses		(10 152)	(17 976)	(322 061)	(446 928)
Excess of Group's share in fair value of net identifiable assets over purchase cost	**12**	2 436	3 578	77 279	88 951
Other operating income	**13**	1 074	2 440	34 074	60 647
Other operating expense	**14**	(279)	(3 620)	(8 848)	(90 009)
Operating profit		**2 515**	**6 092**	**79 767**	**151 431**
Finance revenue	**15**	3 788	185	120 172	4 588
Finance costs	**16**	(5 965)	(5 423)	(189 230)	(134 822)
Profit/loss before tax		**338**	**854**	**10 709**	**21 197**
Income tax reimbursement	**17**	415	61	13 168	1 522
Net profit/loss for the year		**753**	**915**	**23 877**	**22 719**
Attributable to:					
Equity holders of the entity		769	919	24 397	22 849
Non-controlling interest		(16)	(4)	(520)	(130)
Basic and diluted earnings/(loss) per share	**18**	0,008 долл.	0,010 долл.	0,28 руб.	0,25 руб.

These consolidated financial statements shall be considered subject to notes on pages 13-105 constituting an integral part hereof. Statement of management's responsibility for preparation and approval of the consolidated financial statements is given on page.5. Independent Auditors' Report is presented on page.6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of US dollars and Russian rubles, except for earnings per share amounts denominated in US dollars and Russian rubles)

	Прим	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Net profit/loss for the year		**753**	**915**	**23 877**	**22 719**
Other comprehensive income					
Revaluation of land and Property, plant and equipment		6 055	140 373	217 320	4 110 903
Income tax effect		(1 211)	(28 075)	(43 464)	(822 181)
Transfer of revaluation surplus to retained earnings		-	-	-	-
Income tax effect		583	984	18 497	24 461
Effect of change of the income tax rate		-	(24 424)	-	(855 871)
Exchange differences from translating into presentation currency		969	(5 949)	-	-
Other comprehensive income after tax		**6 393**	**141 757**	**192 353**	**4 160 054**
Total comprehensive income for the reporting year after tax		**7 149**	**142 672**	**216 230**	**4 191 722**
Attributable to:					
Equity holders of the entity		7 165	142 676	216 750	4 191 902
Non-controlling interest		(16)	(4)	(520)	(130)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of US dollars and Russian rubles)

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
ASSETS					
Non-current assets					
Intangible assets	**19**	1 891	1 857	57 178	54 558
Property, plant & equipment	**20**	242 474	245 692	7 333 437	7 218 527
Construction in progress	**20,21**	10 507	887	317 765	26 074
Biological assets	**22**	135	130	4 097	3 813
Long-term investments	**23**	-	195	-	5 721
Non-current loans	**24**	311	439	9 398	12 910
Deferred tax assets	**17**	2 768	1 289	83 714	37 871
Other non-current assets	**25**	1 270	3 911	38 397	114 873
Total non-current assets		**259 356**	**254 400**	**7 843 987**	**7 474 347**
Current assets					
Inventories	**26**	10 910	11 593	329 966	340 612
Trade and other receivables	**27**	23 341	30 869	705 903	906 965
Deferred expenses	**28**	38	61	1 147	1 796
Current loans	**24**	1 511	3 872	45 705	113 751
Other current assets	**29**	1 553	2 191	46 984	64 380
Cash and cash equivalents	**30**	887	798	26 826	23 458
Total current assets		**38 240**	**49 384**	**1 156 531**	**1 450 962**
TOTAL ASSETS		**297 596**	**303 784**	**9 000 518**	**8 925 309**
EQUITY AND LIABILITIES					
Equity					
Issued capital	**31**	3	3	89	89
Share premium		7 995	7 995	210 521	210 521
Revaluation provision		153 417	154 528	4 639 969	4 540 110
Currency translation reserve		(1 340)	(830)	-	-
Retained earnings		20 579	17 088	613 139	502 056
Non-controlling interest		149	174	4 515	5 070
Total equity		**180 803**	**178 958**	**5 468 233**	**5 257 846**
Non-current liabilities					
Long-term loans and borrowings payable	**32**	18 754	8 743	567 192	256 884
Long bonds payable	**32**	133	12 802	4 011	376 126
Deferred tax liabilities	**17**	41 315	39 650	1 249 538	1 164 935
Other non-current liabilities	**33**	1 488	1 845	45 006	54 197
Total non-current liabilities		**61 690**	**63 040**	**1 865 747**	**1 852 142**
Current liabilities					
Trade and other payables	**34**	30 518	44 817	922 995	1 316 796
Loans payable	**35**	19 866	14 654	600 827	430 518
Other current liabilities	**36**	3 446	1 046	104 199	30 748
Provisions for liabilities and charges	**37**	315	234	9 540	6 889
Taxes and social security payable	**38**	958	1 035	28 977	30 370
Total current liabilities		**55 103**	**61 786**	**1 666 538**	**1 815 321**
TOTAL EQUITY AND LIABILITIES		**297 596**	**303 784**	**9 000 518**	**8 925 309**

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of US dollars and Russian rubles)

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Opening balance	**30**	**928**	**909**	**22 772**	**23 932**
Operating activities					
Cash inflows, including:					
Operating revenues		121 074	307 997	3 840 854	7 657 503
Receipts from royalties		136	-	4 300	-
Receipts of an insurance		9	-	274	-
Refunds of income taxes		213	-	6 765	-
Other income		1 140	12 837	36 155	319 164
Cash outflows, including:					
Purchase of goods, work and services		(110 630)	(295 221)	(3 509 518)	(7 339 875)
Labor costs		(5 460)	(6 498)	(173 218)	(161 548)
Loan interest expenses		(5 003)	(6 101)	(158 723)	(151 678)
Tax and social security expenses		(742)	(2 852)	(23 553)	(70 917)
Payments to off-budget funds		(1 113)	(1 352)	(35 316)	(33 610)
Payments of imprest		(54)	-	(1 705)	-
Purchase of foreign currency		(41)	-	(1 300)	-
Payments of an insurance		(79)	-	(2 501)	-
Payments of income taxes		(147)	-	(4 649)	-
Other operating expenses		(488)	(35 167)	(15 484)	(874 323)
Net cash flows from operating activities		**(1 185)**	**(26 357)**	**(37 619)**	**(655 284)**
Investing activities					
Proceeds from sale of property, plant and equipment		280	1 135	8 875	28 221
Receipts from sales of other long-term assets		11	-	337	-
Proceeds from sale of share or debt financial instruments		-	1 807	-	44 928
Interest received		17	121	553	3 008
Revenues from loan disbursement by external companies		6 786	22 535	215 268	560 268
Receipts from disposals of subsidiaries		95	-	3 000	-
Acquisition of subsidiaries		2	(795)	54	(19 775)
Purchase of property, plant and equipment		(1 101)	(4 222)	(34 940)	(104 965)
Acquisition of share-based or debt financial instruments		-	(1 568)	-	(38 975)
Loans to external companies		(8 435)	(4 274)	(267 540)	(106 258)
Net cash flows used in investing activities		**(2 345)**	**14 739**	**(74 394)**	**366 452**
Financing activities					
Proceeds from issuing shares		-	-	1	-
Proceeds from loans to external companies		87 118	190 789	2 763 662	4 743 460
Settlement of financial lease liabilities		(157)	(215)	(4 987)	(5 350)
Repayment of borrowings (interest free)		(83 302)	(178 929)	(2 642 608)	(4 448 592)
Other cash outflows from financing activities		(22)	-	(685)	-
Net cash flows used in financing activities		**3 637**	**11 645**	**115 382**	**289 518**
Translation to presentation currency		(18)	(158)		
Net increase in cash and cash equivalents for the year		**107**	**28**	**3 369**	**686**
Closing balance	**30**	**887**	**798**	**26 826**	**23 458**
Net foreign exchange difference			-		-

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of Russian rubles)

	Authorized capital	**Share Premium**	**Provision for PP&E revaluation**	**Currency translation reserve**	**Retained Earnings**	**Total**	**Non-controlling interest**	**Total equity**
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Balance as of January 1, 2008	**89**	**210 521**	**523 936**	**-**	**326 328**	**1 060 874**	**-**	**1 060 875**
Net profit / (loss) for the year	-	-	-	-	22 848	22 848	(130)	**22 718**
Other comprehensive income	-	-	4 016 174	-	152 880	4 169 054	-	**4 169 054**
Non-controlling interest occurred as a result of a business combination	-	-	-	-	-	-	5200	**5200**
Balance as of December 31, 2008	**89**	**210 521**	**4 540 110**	**-**	**502 056**	**5 252 776**	**5 070**	**5 257 846**
Retrospective revaluation of capital components due to error correction					**(4 281)**	**(4 281)**	**(35)**	**(4 316)**
Balance as of January 1, 2009	**89**	**210 521**	**4 510 110**		**497 775**	**5 248 495**	**5 035**	**5 253 530**
Net profit / (loss) for the year	-	-	-		24 397	24 397	(520)	**23 877**
Other comprehensive income	-	-	99 859		92 494	192 353	-	**192 353**
Balance as of December 31, 2009	**89**	**210 521**	**4 639 969**		**614 666**	**5 465 245**	**4 515**	**5 469 760**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(All amounts in table below are denominated in thousand of US dollars)

	Authorized capital	Share Premium	Provision for PP&E revaluation	Currency translation reserve	Retained Earnings	Total	Non-controlling interest	Total equity
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Balance as of January 1, 2008	**3**	**7 995**	**21 162**	**1 571**	**12 489**	**43 220**	**-**	**43 220**
Net profit / (loss) for the year	-	-	-	-	919	919	(4)	**915**
Other comprehensive income	-	-	136 838	-	4 919	141 757	-	**141 757**
Non-controlling interest occurred as a result of a business combination	-	-	-	-	-	-	209	**209**
Presentation currency translation	-	-	(3 472)	(2 401)	(1 239)	(7 112)	(31)	**(7 143)**
Balance as of December 31, 2008	**3**	**7 995**	**154 528**	**(830)**	**17 088**	**178 784**	**174**	**178 958**
Retrospective revaluation of capital components due to error correction					(146)	(146)	(1)	**(147)**
Balance as of January 1, 2009	**3**	**7 995**	**154 528**	**(830)**	**16 942**	**178 638**	**173**	**178 811**
Net profit / (loss) for the year	-	-	-	-	769	769	(16)	**753**
Other comprehensive income	-	-	3 480	-	2 916	6 396		**6 396**
Presentation currency translation			(4 591)	(508)	-	(5 099)	(8)	**(5 107)**
Balance as of December 31, 2009	**3**	**7 995**	**153 417**	**(1 338)**	**20 627**	**180 704**	**149**	**180 853**

These consolidated financial statements shall be considered subject to notes on pages 13-105 constituting an integral part hereof. Statement of management's responsibility for preparation and approval of the consolidated financial statements is given on page.5. Independent Auditors' Report is presented on page.6.

1 General

(a) Description of Company's activities

PAVA OJSC (hereinafter the "Company/Group") is an open-end joint-stock company organized under the Laws of the Russian Federation.
The Company was established in 1999 as a private entity named APK Khleb Altaya JSC (hereinafter the "Company"). At the annual general meeting of shareholders held June 29, 2005, the Company's name was changed to PAVA JSC. The Company is listed in the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX).

Company's location office: **38, Pushkina Street, Barnaul, the Altay Territory, 656056**

Official web-site with information on the Company: **www.apkhleb.ru**.

The Company holds the following licenses:
License: ***№VP-63-00149***
Date of issue: (reissue of license No. VP-63-00149 of 25.12.2009)
Expiry date: ***25.12.2014***
License issuing body: ***the Federal Environmental, Technological, and Nuclear Supervision Office.***
Activities: ***operation of explosive production facilities.***

Presently, PAVA JSC is a parent company of a major Russian grain processing holding. The holding also comprises 5 subsidiaries. The subsidiaries and the Company's share in their capital as of 31 December 2007 and 31 December 2006 are detailed in *Note 4*.

The Company's production is based on processing local wheat growing at the Company's production facilities location: in Altai and Krasnoyarsk Territories. Flour, crushed grain products, mixed feed are produced by three milling plants having their own grain elevators and railway lines. Milling plant production lines are equipped with domestic hardware manufactured under Buhler (Switzerland) license. Two milling plants are located in Altai Territory: in regional communities of Mikhailovskoe and Rebrikha. The third milling plant is located in Krasnoyarsk Territory (Achinsk).
In order to continuously supply high-quality production stock and reduce the risk of raw stock price variation, the Company develops its own plant cultivating sector, growing wheat (80% of area), peas, barley, oats, sunflower, rye.
The Company's products are supplied to over 68 Russian regions. More details related to the Company's business sector are given in *Note* 40.

Today, OJSC PAVA is one of the market leaders in Russian wheat grain processing sector. The company accounts for 2,6% share in the overall national production of flour and ranks fifth on the list of top-producers.

In 2009, the average number of employees made 1 552 (1724 in 2008)

1 General (continued)

(b) Operating environment

The Russian Federation continues to demonstrate some features of emerging market. These features include, but are not limited to, existence of currency which is not freely converted in the majority of countries other than the Russian Federation, limited exchange controls and relatively high inflation. The Russian tax, foreign currency and customs laws and regulations are subject to different interpretations and amendments, which may be introduced rather often.

The future of the Russian economy depends, to a considerable extent, on the effectiveness of the government's economic, financial and money and credit reforms, as well as development of tax, legal, power and political systems.

(c) Business environment in the Russian Federation

Uncertainty and instability in the world financial, exchange and product markets, caused by the world financial crisis, may have a negative influence on performance of all operating segments of the Group. Economic recession which is observed in most economic regions way make the Group reduce the production volume, lower expenses and manage the increased risk factor. As a result of potential decrease of demand for agricultural production the Group may reduce its production volume in the coming year. Combination of these factors may result in the idle time of the Group's equipment.

As mentioned above, the Russian Federation is undergoing political and economic changes, which have impacted or are expected to further impact the companies doing their business in Russia. Hence, the business in the Russian Federation is connected with risks, which are not typical for other market economies.
The accompanying consolidated financial statements reflect the management's judgments and estimates as to possible influence of economic situation on the Group's activity and its financial position. The further progress of the situation can depart from the judgments and estimates made by the management.
The detailed description of operational, financial, legal and other risks and their possible impact on economic and financial activity of the Group are represented in *Notes 40-45.*

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements were prepared in accordance with the historical cost method, except for the following items: investment property, land and premises, derivative financial instruments and financial assets available for sale measured at fair value.

2 Basis of preparation (continued)

Consolidated financial statements are presented in Russian rubles and US dollars, with all amounts rounded up to thousands except for cases otherwise specified.

(b) Going concern basis

The consolidated financial statements have been prepared on a going concern basis providing for the disposal of assets and discharge of liabilities in the course of common business activity. The financial statements do not incorporate any adjustments which would be required if the Group could not further continue carrying out its financial and business activity in accordance with the going concern principle.

(c) Declaration of Conformity

Consolidated financial statements of the Group were prepared in conformity with the revised International Financial Reporting Standards (IFRS) published by International Accounting Standards Board (IASB).

(d) Consolidation basis

Consolidation basis applied since 1 January 2009

Consolidated financial statements include financial statements of the Group and its subsidiaries as of 31 December 2009.
Subsidiaries are fully consolidated by the Group since the date of acquisition, i.e. the date of receiving control over a subsidiary, and continue to be consolidated until the date of losing such control. Financial statements of subsidiaries are prepared for the same period as the parent statements on the basis of consistent application of the accounting policy for all companies of the Group. All intercompany balances, income and expense, unrealized income and expense, as well as dividends arising as a result of intercompany transactions are fully excluded.
Change in the non-controlling interest without loss of control is recorded as capital transaction.
Losses are charged to the non-controlling interest even if this results in a credit balance deficit.
If the Group looses control over a subsidiary, then it:

- ❖ Derecognizes assets and liabilities of the subsidiary (including the associated goodwill);
- ❖ Derecognizes the carrying amount of non-controlling interest;
- ❖ Derecognizes cumulative exchange differences reported in equity;
- ❖ Recognizes fair value of the consideration received;
- ❖ Recognizes fair value of the remaining investment;
- ❖ Recognizes the income or loss surplus or deficit occurred as a result of the transaction;
- ❖ Reclassifies to profit or loss the parent share in the components earlier recognized as other comprehensive income.

2 Basis of preparation (continued)

Consolidation basis applied before 1 January 2009
In contrast to the above principles applied prospectively, the following principles were used:

- Non-controlling interest formed a portion of income/loss and net assets not owned by the Group and was reported separately in the consolidated profit and loss statement and in the consolidated statement of financial position within equity, separately from the parent's equity. Acquisition of the non-controlling interest was accounted for under the parent continuation method of accounting where the difference between the consideration paid and the carrying amount of the acquired share of net assets was recognized as goodwill.
- Losses incurred by the Group were charged to the non-controlling interest until its book value was reduced to zero. Subsequent losses were charged to the parent company, except for cases when the non-controlling interest holders had a binding obligation to cover losses.
- At lost of control over a subsidiary the remaining investment was accounted for according to the proportional share in the net asset value as ay the date of loss of control.

3 Changes in the accounting policy and disclosure principles

The adopted accounting policy corresponds to the accounting policy applied in the previous reporting year, with the following exceptions:

As of 1 January 2009 the Group applied the following new or reviewed Standards and Interpretations:

Amendment to ***IFRS 2 «Share-Based Payment»: «Vesting Conditions and Cancellations»*** effective from 1 January 2009

Amendment to **IFRS 2 «Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions»** effective from 1 January 2010 (applied earlier)

IFRS 3 «Business Combinations» (as revised) and IAS 27 "Consolidated and Separate Financial Statements» (as amended) effective from 1 July 2009 (applied earlier), including the related amendments to ***IFRS 7, IAS 21, IAS 28, IA) 31 and IA) 39.***

Amendment to **IFRS 7 Financial Instruments: Disclosures: Improvement of Disclosures about Financial Instruments»** effective from 1 January 2009

IFRS 8 «Operating Segments» effective from 1 January 2009

IAS 1 Presentation of Financial Statements» effective from 1 January 2009

3 Changes in the accounting policy and disclosure principles (continued)

IAS 23 «Borrowing Costs (as revised») effective from 1 January 2009.

Amendments to ***IFRS 32 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Puttable Instruments and Obligations Arising at Liquidation*** effective from 1 January 2009

Amendments ***to IFRS 39 «Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting»*** effective form 1 July (applied earlier)

Amendments to ***IFRIC 9 «Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement»*** effective for periods ending on or after 30 June 2009.

IFRIC 13» Customer Loyalty Programmes» effective from 1 July 2008.

IFRIC 16 «Hedges of a Net Investment in a Foreign Operation» effective from 1 October 2008.

IFRIC 18 «Transfers of Assets from Customers» effective from 1 July 2009 (applied earlier)
IFRS Improvements (May 2008).
IFRS Improvements (April 2009, applied earlier)

In cases when adoption of a standard or an interpretation had an effect on financial statements or operating results of the Group, this effect is described below:

IFRS 2 «Share-Based Paymen»t (as amended) IASB published the amendment to IFRS 2 that clarifies the vesting conditions and prescribes the accounting method for the consideration to be cancelled. The Group has applied this amendment since 1 January 2009, which has not had effect either on its financial position or operating results.

IASB published the amendment to ***IFRS 2*** that clarifies the scope of application and method of accounting of group cash-settled share-based payment transactions. The Group has applied this amendment since 1 January 2009, which has not had effect either on its financial position or operating results.

IFRS 3 "Business Combinations" (as revised) and ***IAS 27 "Consolidated and Separate Financial Statements" (as amended)***.
The Group has applied the revised IFRS 3 from 1 January 2009. The revised IFRS 3 introduces significant changes to the procedure for accounting of business combination transactions made after this date. These changes influence the measurement of minority interest, accounting of

3 Changes in the accounting policy and disclosure principles (continued)

transaction expenses, initial recognition and further measurement of contingent consideration, as well as accounting of business combination achieved in stages. These changes will influence the amount of the recognized goodwill, operating results for the period when acquisition occurred, as well as operating results reported in financial statements for subsequent periods. According to the requirements of ***IAS 27*** (as amended), the change in minority interest (without loss of control) should be accounted as capital transaction. Thus, such transactions will no longer determine either occurrence of goodwill or recognition of income or expense. Furthermore, the revised standard changes the method of accounting losses of subsidiaries, as well as accounting of a loss of control over a subsidiary. Changes in IFRS requirements to the accounting policy introduced by ***IFRS 3*** (as revised) and ***IAS 27*** (as amended) will influence future acquisitions and transactions resulting in a loss of control over subsidiaries, as well as minority interest transactions.

These changes in the accounting policy have been applied prospectively and did not have significant influence on earnings per share.

IFRS 7 "Financial Instruments: Disclosures" (as amended)
The amendment introduced into the standard requires additional disclosures about fair value measurement and liquidity risk. The disclosure about the fair value measurement of the items reported at the fair value must be done by data source, using a three-level hierarchy of fair value sources for each class of financial instruments recognized at the fair value. Apart from that, the revised standard requires reconciliation between the beginning and ending balance for fair value measurements at level 3, as well as disclosure about significant transfers between the levels of the hierarchy of fair value sources. The amendment also clarifies requirements with regard to disclosures about liquidity risk for transactions with derivative financial instruments and assets used for liquidity management. Disclosure about the fair value measurement is provided in Note16. The amendment did not have material effect on the disclosure about liquidity risk provided in *Note 49*.

IFRS 8 "Operating Segments"
IFRS 8 effective from 1 January, 2009 replaced IAS 14 "Segment Reporting". The Group came to a conclusion that the operating segments determined in accordance with IFRS 8 coincide with those determined earlier in the course of application of IAS 14. The information according to IFRS 8 including the corresponding reviewed comparative information is provided in *Note 40.*

IAS 1 "Presentation of Financial Statements" (as revised)
The revised standard differentiates between the changes in equity due to transactions with owners and other changes in equity. The statement of changes in equity will contain only information about transactions with owners, while all other changes in equity will be reported in reconciliation for each component of equity. Furthermore, the standard introduces the requirement to present a statement of comprehensive income including all items of recognized

3 Changes in the accounting policy and disclosure principles (continued)

income and expense, which may be presented either in a single statement or in two related statements. The Group has elected to present the required information using a two-statement approach.

IAS 23 “Borrowing Costs” (as revised)
The revised IAS 23 requires capitalizing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The accounting policy earlier applied by the Group provided for attributing the borrowing costs to the expenses from these costs. In accordance with the transitional provisions of the revised IAS 23, the Group has applied this standard prospectively. Thus, only those borrowing costs are capitalized that are attributable to assets qualifying as of or after 1 January 2009.

The amendment to IAS 32 “Financial Instruments: Presentation” and IAS1 “Presentation of Financial Statements”: “Puttable Instruments and Obligations Arising at Liquidation”
The amendments introduced to the standards permit constrained exception from the scope of application, according to which some puttable financial instruments may be classified as equity instruments if they meet certain criteria. The application of these amendments have not had effect either on financial position or operating results of the Group.

Amendment to IAS 39 “Financial Instruments: Recognition and Measurement”: “Items Qualifying for Hedge Accounting”
The amendment clarifies that an entity may designate a part of change in the fair value or variability of cash flows for a financial instrument as a hedged item. Additionally, the amendment raises the issue of identifying inflation as a hedging risk or part of this risk in specific circumstances. The Group has come to a conclusion that this amendment will not have effect on its financial position or operating results since the Group does not perform suchlike hedging transactions.

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”
Pursuant to the amendment to IFRIC 9 an entity must asses whether an embedded derivative is required to be separated from the host contract when an entity reclassifies a compound financial instrument out of the 'fair value through profit or loss' category. Such assessment must be done on the basis of the conditions that existed at the latest of the following dates: the date an entity first became a party to the contract or the date of introducing changes to the contract that significantly modify the cash flows. The revised IAS 39 specifies that when an embedded derivative may not be reliably assessed, the whole compound instrument must still be classified as belonging to the “fair value through profit or loss” category.

3 Changes in the accounting policy and disclosure principles (continued)

IFRIC 13 "Customer Loyalty Programmes"

IFRIC 13 requires loyalty award credits granted under customer loyalty programmes to be accounted for as separate components of the sale transaction under which they are granted. A portion of the fair value of the received consideration is allocated to the award credits and attributed to subsequent periods. Then the amount attributed to subsequent periods is recognized as revenue in periods when an entity fulfills its obligations with regard to the awards. The application of these amendments have not had effect either on financial position or operating results of the Group.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

This interpretation must be applied prospectively. IFRIC 16 provides instructions on accounting of hedge of a net investment. It also provides instructions on how to identify currency risks qualifying for hedge accounting in a hedge of a net investment, as well as the instructions on which entity within a group can hold a hedging instrument in a hedge of a net investment. Furthermore, the Interpretation specifies how an entity should determine the amounts of income or expense from currency translation to be reclassified to profit or loss for both the hedged investment and the hedging instrument when the entity disposes of the investment.

IFRS Improvements

In May 2008 and April 2009 , IASB issued the first collection of amendments to its standards, aiming mostly at removal of internal irregularities and clarification of wordings. For each standard, there are specific transitional provisions.
Application of the below standards (as amended) has resulted in change of the accounting policy but has not had effect either on financial position or operating results of the Group.

Amendment to IFRS 5 «Non-Current Assets Held for Sale and Discontinued Operations» clarifies that the requirements with respect to disclosures of non-current assets and disposal groups that are classified as held for sale, as well as disclosures of discontinued operations are exclusively specified in IFRS 5. The requirements with respect to disclosures specified in other IFRS apply only if expressly provided for such non-current assets or discontinued operations.

Amendment to IFRS 8 «Operating Segments» clarifies that segment assets and liabilities must be reported only if these assets and liabilities are included in the estimate used by an executive authority responsible for making operating decisions. Since the executive authority responsible for making operating decisions of the Group analyzes segment assets and liabilities, the Group continues to disclose such information.

3 Changes in the accounting policy and disclosure principles (continued)

Amendment to IAS 1 «Presentation of Financial Statements»: Assets and Liabilities Classified as Held for Trading under IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group has analyzed whether the Management's estimate for the period of disposal of financial assets and liabilities differs from the instrument classification. As a result, no reclassifications between the current and non-current financial instruments are found in the statement of financial position.

Amendment to IAS 7 «Statement of Cash Flows» explains that only costs resulting in asset recognition may be classified as cash flows. This amendment will have effect on presentation in the statement of cash flows of the contingent consideration provided in the course of the business combination completed in 2009 at cash outflows.

Amendment to IAS 16 «Property, Plant and Equipment» has replaced the term "net selling price" to the term "fair value net of costs to sell ". The Group has accordingly changed its accounting policy, which has not modified its financial position.

IAS18 «Revenue»: IASB has introduced a guidance (supplementing the standard) for determining whether an entity is acting as a principal or as an agent. Below are the key questions to be considered in doing so:

- Whether an entity bears primary liability for providing products or services;
- Whether an entity is exposed to the risk of impairment or loss of inventories;
- Whether an entity is free at pricing;
- Whether an entity is exposed to credit risk.

The Group has analyzed its contracts for receiving revenue under these criteria and has concluded that it acts as a principal in all such contracts. The accounting policy with respect to revenue recognition has been changed as appropriate.

Amendment to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance:
According to the introduced amendments, interest-free loans and below-market loans will no longer be excluded from the scope of application of the imputed interest accrual requirement. Imputed interest will be accrued on below-market loans. This amendment has not had effect on the Group financial statements as the received government grants are actually not loans but non-repayable grants.

Amendment to IAS 23 «Borrowing Costs»:
Borrowing costs measurement was reviewed with a view to combine two types of items recognized as components of borrowing costs into one – interest costs calculated by means of effective interest rate method, according to IAS 39.

3 Changes in the accounting policy and disclosure principles (continued)

The Group has accordingly modified its accounting policy, which has not caused changes to its financial position.

Amendments to IFRS 36 «Impairment of Assets»: If discounted cash flows are used for measurement of "fair value net of costs to sell", then the amendment prescribes an additional disclosure of the discount rate, as well as the associated information which disclosure is required at application of discounted cash flows for measurement of value in use. This amendment has not had effect on the consolidated financial statements of the Group for this reporting period as the recoverable cost of each of its cash generating units is now determined based on value in use. Apart form that, an amendment was introduced identifying the largest unit that may be used for distribution of goodwill gained as a result business combination is a separate operating segment under IFRS 8, not an aggregation of separate operating segments grouped for purposes of reporting. The amendment has not had an effect on the Group financial statements since annual audit for impairment is performed for separate segments prior to their aggregation.

Amendment to IAS 38 Intangible Assets: The costs associated with advertizing and promotional activities are recognized as expenses at the moment when the Group either has the right to access products or receives a service. This amendment has not had effect on the Group activities as it is not involved in such types of promotional activities.
The reference to extraordinary rare, if any at all, convincing evidences in support of intangible assets depreciation method other than straight-line depreciation method was removed. The Group has reviewed the useful life of the owned intangible assets and has concluded that application of a straight-line depreciation method is still justified.

Other amendments to the below standards adopted as a result of the project "IFRS Improvements' have not had effect on accounting policy, financial position or operating results of the Group:

IFRS 2 Share-Based Payment:
IFRS 7 Financial Instruments: Disclosures:
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the balance sheet date
IAS 19 Employee Benefits
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 31 Interests in Joint Ventures
IAS 34 Interim Financial Reporting
IAS 38 Intangible Assets
IFRS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

3 Changes in the accounting policy and disclosure principles (continued)

IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

4 Material Provisions of Accounting Policy

(a) Business combination and goodwill

Business combination after 1 January 2009
Business combinations are accounted for under purchase method. The cost of acquisition is the aggregate of transferred consideration measured at fair value as of acquisition date, and the non-controlling interest in the acquired entity. For each business combination transaction, the acquiring party measures the non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's share of the acquiree's identifiable net assets. Acquisition-related costs are treated as expense.

If the Group acquires a business, then it classifies the acquired financial assets and liabilities as appropriate, depending on the contract terms, economic situation and conditions existing as of acquisition date. In doing so, it must also assess whether the acquiree should separate the embedded derivative from the host contract.

In case of a business combination achieved in stages the fair value as of acquisition date of the non-controlling interest in the acquired entity earlier held by the acquiring party is reassessed at fair value through profit or loss as of acquisition date.

Contingent consideration to be transferred by the acquiring party must be recognized at fair value as of acquision date. Subsequent changes in fair value of the contingent consideration (an asset or liability) must be recognized under IAS 39 or in profit or loss, or as change in other comprehensive income. If contingent consideration is classified as equity, then it should not be reclassified until fully discharged. Goodwill is initially measured at cost which the amount of the transferred consideration in excess of the net identifiable assets acquired by the Group and the assumed liabilities. If this consideration is less than the fair value of the acquiree’s net identifiable assets, then the difference is recognized in profit or loss.

Subsequently, goodwill is measured at cost net of accumulated impairment losses. For purposes of impairment audit of the goodwill acquired at a business combination, the goodwill, starting from acquisition date, is allocated to each of the Group’s cash generating units that are supposed

4 Material Provisions of Accounting Policy(continued)

to benefit from the business combination, regardless of whether or not other assets or liabilities of the acquiree relate to these units.

If goodwill is allocated to a cash generating unit a portion of which is being disposed of, then the goodwill associated with the disposed operation is included in the carrying amount of the cash generating unit to be disposed of when determining the gain or loss on disposal. In this case the disposed goodwill is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

Business Combinations before 31December 2008.

The requirements applied earlier had the following differences compared to the aforementioned: Business combinations were accounted for under purchase method. Costs directly attributable to acquisition were recognized in the cost of acquisition. Non-controlling interest
(earlier referred to as the non-controlling interest) was measured at non-controlling interest's share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate stages. Additional acquired interest shares did not have effect on the previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated by the acquiree from the host contract, were not reassessed upon acquisition except for the cases when a business combination caused change in the contract conditions significantly modifying the cash flows that would be otherwise required under the contract.
Contingent consideration was recognized only when the Group had a current liability, the outflow of economic benefits was rather likely than not, and its assessment could be reliably made. Subsequent adjustments of contingent consideration had an effect on goodwill.

(b) Investments in Associates

The Groups investments in associates are accounted for under equity method. Associate is an entity in which the Group has a significant influence.

In accordance with the equity method, investments in associates are measured at cost in the statement of financial position at cost plus changes in the associate's share of net assets occurred after acquisition by the Group. The Goodwill related to an associate is included in the carrying amount of an investment and is neither amortized nor is subject to a separate impairment audit. Profit and loss statement reports the share of financial performance of an associate. The investor's share of changes recognized directly in the associate's other comprehensive income are also recognized in other comprehensive income by the investor, with

4 Material Provisions of Accounting Policy(continued)

disclosure in the statement of changes in equity. Unrealized profit and loss for the Group's transactions with an associate is eliminated to the extent of the Groups interest in the associate.

Share of associates' profit is directly reported in the profit and loss statement. It is the profit falling at the associate's shareholders and is therefore determined as profit after tax and non-controlling interest in associates. Associate's financial statements are prepared for the same period as those of parent entity. If appropriate, the statements might be adjusted for the purpose of brining the associate's accounting policy in line with that of the Group.

Upon application of equity method the Group determines whether it is necessary to recognize additional impairment loss on the Group investments in associates. At each reporting date, the Group determines if there is objective evidence that investments in associates have impaired. If this is a case, the Group calculates the amount of impairment as the difference between the recoverable and carrying amount of an investment in an associate and recognizes this amount in profit and loss statement.

In case of loss of significant influence in an associate the Group assesses and recognizes the retained investment at fair value. The difference between the carrying amount of an associate as of loss of significant influence and the fair value of the retained investment and disposal proceeds is recognized in profit or loss.

(c) Interests in Joint Ventures

In case the Group has an interest in joint venture in form of jointly controlled entity where parties having interests in joint venture have entered into a contractual agreement to undertake an economic activity that is subject to joint control, the Group recognizes its interest in a joint venture under proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its consolidated financial statements. Financial statements of a joint venture are prepared for the same period as those of parent entity. In case there are any differences, adjustments are made in order to bring in line the accounting policy of a joint venture with the accounting policy of the Group. In order to eliminate the Group share in intercompany balances, income and expense, as well as the Group's unrealized profit and loss occurring in transactions between the Group and the jointly controlled entity, adjustments are made in the Group consolidated financial statements. If the loss indicates the decrease in net realizable value of current assets or constitutes an impairment loss, then losses on such transactions are recognized immediately. Joint venture is consolidated proportionally prior to the date when the Group looses the right to joint control over this joint venture.

4 Material Provisions of Accounting Policy(continued)

In case of loss of joint control and provided that the former jointly controlled entity does not become a subsidiary or an associate, the Group assesses and recognizes the retained investment at fair value. The difference between the carrying amount of the former jointly controlled entity as of loss of control and the fair value of the retained investment and disposal proceeds is recognized in profit or loss. If the Group still maintains significant influence in the investee, then the retained investments are accounted for as investment in associates.

(d) Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups that are classified as held for sale are measured at the smallest of the following amounts – carrying amount and fair value net of costs to sell. Non-current assets and disposal groups that are classified as held for sale if their carrying amount is to be recovered through selling transaction but not due to continued use. This requirement is considered met only if the selling possibility is high and the asset or disposal group may be immediately sold in their current state. Management must have firm intention to perform sale which is expected to qualify as completed sales transaction within one year after the classification date.

In consolidated profit and loss statement for the reporting period as well as for the comparative period of the previous year, income and expense from discontinued operations are accounted separately from income and expense from continued operation with adjustment to profit after tax, even if the Group maintains the non-controlling interest. The resultant profit or loss (after tax) is presented separately in the profit and loss statement.

Property, plant and equipment and intangible assets after classified as held for sale are not subject to depreciation.

(e) Foreign Currency Translation

Consolidated Financial Stamens of the Group are presented in Russian rubles and US dollars. Russian ruble is also a functional currency of the parent entity. Each of the Group's entity determines its own functional currency and the items reported in financial statements of an individual entity are measured in this functional currency. The Group applies direct method of consolidation and at disposal of a foreign unit reclassifies to profit or loss the corresponding income and expense from currency translation incurred as a result of this consolidation method.

4 Material Provisions of Accounting Policy(continued)

Transactions and Balances

Transactions in foreign currency are initially accounted for by the Group entities in their functional currency at the exchange rate effective at the date of transaction. Monetary assets and liabilities reported in foreign currency are translated at the spot-rate of the functional currency at the exchange rate effective at the date of transaction.

All foreign exchange differences are reported in the profit and loss statement except for all monetary items ensuring effective hedge of a net investment in a foreign operation. When recognized in the profit and loss statement, they are reported in other comprehensive income prior to disposal of a net investment. Tax income and expense from reimbursement of tax on foreign exchange differences occurring for the above monetary items is also recognized in equity. Nonmonetary items measured in foreign currency at historical cost are translated at exchange rate effective at the date of initial transactions. Nonmonetary items measured in foreign currency at historical cost at historical cost are translated at exchange rate effective at the date of fair value measurement.

Before 1 January 2005 the Group recognized goodwill and other fair value-based adjustments in the carrying amount of assets and liabilities arising at acquisition as assets and liabilities of the parent entity. Thus, these assets and liabilities are already reported in the presentation currency or represent non-monetary items, which means absence of subsequent exchange differences.

The RF Central Bank official RUR/USD exchange rate as of 31 December 2009 was 30,2442 (as of 31 December 2008 – 29,3804), the average RUR/USD rate in 2008 was 31,7231.

The Group Entities

Assets and liabilities of foreign operation are translated in US dollars at the exchange rate effective at the balance sheet date, while items of the profit and loss statement of such operation are translated at the exchange rate effective at the date of transactions. The exchange difference arising as a result of such translation is recognized in other comprehensive income. At disposal of a foreign operation the component of other comprehensive income associated with this foreign operation is recognized in the profit and loss statement.

The goodwill occurring at acquisition of a foreign operation after 1 January 2005, as well as the adjustments at fair value of the carrying amount of assets and liabilities arising at the acquisition are considered as assets and liabilities of a foreign operation and translated at the exchange rate as of the balance sheet date.

(f) Recognition of Revenue

The revenue is recognized if receipt of economic benefits by the Group is considered likely and if the revenue may be reliably assessed. Revenue is measured at fair value of the received

4 Material Provisions of Accounting Policy(continued)

consideration net of discounts, reverse discounts, as well as taxes or duties. The Group analyzes its contracts on receiving revenue under specific criteria in order to determine whether it acts as a principal or an agent. The Group has concluded that it acts as a principal in all such contracts. The following requirements shall be also met in order to receive revenue:

Products Sales
Revenue from products sales is normally recognized at products delivery, when substantial risks and benefits from a product possession are transferred to the customer.

Provision of Services
Revenue from provision of services is recognized based on the degree of work completion. Degree of work completion is measured as the percentage of the spent working hours to the reporting date divided by the estimated total working hours under each contract. If the financial result of the contract may not be reliably assessed, then the revenue is recognized only within the amount of incurred expenses that may be recovered.

Interest Income
For all financial instruments measured at the amortized cost and interest financial assets classified as available for sale, the interest income or expense is recognized under effective tax rate method, which precisely discounts the expected future cash payments or proceeds during the estimated period of use of a financial instrument or, if appropriate, shorter period prior to net book value of financial assets or liabilities. Interest income is recognized in financing income in the profit and loss statement.

Dividends
The revenue is recognized when the Group's right to receive payment is established.

Income from rentals
Income from investment property leased out under an operating lease is accounted for under the straight-line method within the lease period.

(g) Taxes

Current income tax
Tax assets and current income tax liabilities for current and preceding periods are measured at the amount due for recovery by or payment to tax authorities. Tax rates an tax legislation applied to calculate this amount are rates and legislation adopted or basically adopted at the

4 Material Provisions of Accounting Policy(continued)

reporting date in the countries where the Group performs its activity and receives taxable income.

Current income tax associated with all items directly recognized in equity is recognized in equity and not in the profit and loss statement. The company's management periodically makes estimates for those positions reported in tax declarations for which the corresponding tax declaration may be interpreted differently and builds reserves as appropriate.

Deferred tax

Deferred tax is calculated under liability method by means of determining temporary differences as at the end of reporting period between the taxable base of assets and liabilities and their carrying amount at the reporting date for purposes of financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences except for the following cases:

- ❖ Deferred tax liability occurs as a result of initial recognition of goodwill, asset or liability in the course of transaction not classified as business combination, and does not have effect at the moment of transaction either on accounting profit or taxable profit or loss;
- ❖ Taxable temporary differences related with investments in subsidiaries, associates, as well as interests in join venture, if timing of temporary difference reduction may be controlled and there is a significant possibility that the temporary difference will not be reduced in the nearest future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax benefits and unused tax losses to the extent of significant possibility that future taxable income will be available to set off against deductible temporary differences, unused tax benefits and unused tax losses, except for the following cases:

- ❖ Deferred tax assets associated with deductible temporary differences arising as a result of initial recognition of goodwill, asset or liability in the course of transaction not classified as business combination, and does not have effect at the moment of transaction either on accounting profit or taxable profit or loss;
- ❖ For deductible temporary differences associated with investments in subsidiaries, associates, as well as interests in join venture, deferred tax assets are recognized only to the extent that there is a significant possibility that temporary differences will be used in the nearest future and future taxable income will be available to set off against temporary differences.

4 Material Provisions of Accounting Policy(continued)

Carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent when achievement of sufficient taxable profit allowing using all or part of deferred tax assets is assessed as unlikely. Non-admitted deferred tax assets are reviewed at each reporting date and recognized to the extent when there is a sufficient possibility that future taxable income will allow usage of deferred tax assets. Deferred tax assets and liabilities are measured at tax rates that will be supposedly applied in the reporting year when the asset will be realized and the liability will be extinguished based on tax rates (and tax legislation) adopted or basically adopted at the reporting date. Deferred tax attributable to items not recognized in profit or loss is also not recognized in profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets are set off against deferred tax liabilities if legal right to set off current tax assets against liabilities is established and deferred taxes are associated with one and the same taxable entity and tax authority.

(h) Government grants

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. A grant given to cover specific expense is deducted from the costs, for which it is intended to compensate, on a systematic basis. A grant given to finance an asset is deducted from the asset's carrying amount and recognized as income in the period of useful life of an amortized asset through reduced amortization expenses.

If the Group receives a non-monetary grant then both the asset and the grant are accounted for at nominal value and reported in the profit and loss statement in the period of the asset's useful life (allocating equal portions of the asset annually).

(i) Retirement Benefits and Other Post-Employment Benefits

The Group does not have defined benefit plans. The Group effects payments to the Russian Pension Fund to the Group employees benefit in compliance with RF legislation on pension security. The above amounts are written-off as soon as payment is processed. The Group has no other special retirement benefit plans.

4 Material Provisions of Accounting Policy(continued)

(j) Financial Instruments – Initial recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement
Financial Assets within the scope of IAS 39 are classified respectively as financial assets reclassified at the fair value through profit or loss; loans and accounts receivable; investments, held to maturity; financial assets held for sale; derivatives designated as hedging instruments in an effective hedge. The Group classifies its financial assets at their initial recognition.

Financial assets are initially recognized at fair value, which is increased in case of investments not reclassified at fair value through profit or loss, in transaction costs directly attributed to them.

All transactions on acquisition or sale of financial assets requiring delivery of assets within the term specified by the legislation or rules enacted on the specific market (standard trade) are recognized at the date of transaction, i.e. the date when the Group assumed the liability to acquire or sell the asset. The Group financial asset include cash and short-term deposits, trade and other receivables, loans and other amounts due, listed and unlisted financial instruments, and derivate financial instruments.

Subsequent measurement
Subsequent measurement of financial assets depends on their classification as follows:

- ***Financial assets at fair value through profit or loss;***

'fair value through profit or loss' category comprises financial assets held for sale and financial assets attributed at their initial recognition to the 'fair value through profit or loss' category.
Financial assets are classified as held for sale if they are acquired with a view to future sale. This category includes derivatives under which the Group is a party to a contract, not designated as hedging instruments in a hedging transaction as defined under IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for sale except for the cases when they are designated as instruments of effective hedging. Financial assets reclassified at fair value through profit or loss are reported at fair value in the statement of financial position, and changes in fair value are recognized in financing income or expense in the profit and loss statement.

4 Material Provisions of Accounting Policy(continued)

The Group does not have financial assets determined as financial assets reclassified at fair value through profit or loss at initial recognition.

The Group has determined if it is relevant to assume that the financial assets reclassified at fair value through profit or loss (held for sale) are intended for sale in the nearest future. If the Group is not able to trade these assets due to absence of active markets and the management intention to sell them in the nearest future has changed, the Group may in rare occasions decide to reclassify such financial assets. Such financial assets are reclassified to loans and receivables, instruments available for sale or instruments held to maturity based on the nature of these assets. The analysis did not have effect on financial assets reclassified at fair value through profit or loss due to the existing possibility of fair value accounting.

Embedded derivatives are accounted for as separate derivatives and reported at fair value if economic characteristics and risks attached to them are not closely related to the risks and economic characteristics of host contracts and these host contracts are not held for sale and do not belong to the fair value through profit or loss category. Such embedded derivatives are measured at fair value and changes in their fair value are recognized in the profit and loss statement. The accounting procedure may be reviewed only in case of changes in the contract terms significantly modifying the cash flows that would be required otherwise. Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed on the active market. Upon initial recognition such financial assets are measured at amortized cost determined under effective interest rate method, net of impairment loss. Amortized cost is calculated taking into account all discounts or premiums at acquisition, as well as fees or costs constituting an integral part of effective interest rate. Amortization at effective interest rate is included in financing income or expense in the profit and loss statement. Impairment-related expenses are recognized in financing expenses in the profit and loss statement.

❖ ***Investments held to maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturity term are classified as investments held to maturity when the Group has a firm intention and capacity to hold them to maturity. Upon initial recognition such investments held to maturity are measured at amortized cost determined under effective interest rate method, net of impairment loss. Amortized cost is calculated taking into account all discounts or premiums at acquisition, as

4 Material Provisions of Accounting Policy(continued)

well as fees or costs constituting an integral part of effective interest rate. Amortization at effective interest rate is included in financing income or expense in the profit and loss statement. Impairment-related expenses are recognized in financing expenses in the profit and loss statement.

❖ ***Financial investments available for sale***

Financial investments available for sale include equity instruments and debt securities. Equity investments classified as available for sale are investments that were classified neither as investments held for sale nor as investments at fair value through profit or loss. Debt securities in this category are securities that are intended to be held for indefinite time period and may be sold for purposes of ensuring liquidity or in response to the changing market conditions.
Upon initial recognition, financial investments available for sale are measured at fair value and unrealized income and expense are recognized in other comprehensive income in instruments available for sale prior to the moment of derecognition of the investment, when the accumulated income or expense are reclassified out of the instruments available for sale to profit or loss and recognized as financing expense. The Group has determined if it is relevant to assume that the financial assets available for sale are possible and intended for sale in the nearest future. If the Group is not able to trade these assets due to absence of active markets and the management intention to sell them in the nearest future has changed, the Group may in rare occasions decide to reclassify such financial assets. Reclassification into loans and receivables is permitted for financial assets qualifying for definition of loans and receivables, and there is a capacity and intention to hold these financial assets in the foreseeable future or to maturity. Reclassification to instruments held to maturity is permitted only if there is a capacity and intention to hold this financial asset to maturity.

If financial assets are reclassified out of available for sale, the related income and expense previously recognized in equity are amortized in profit or loss for the remaining investment term under effective interest rate method. The difference between the new amortized cost and the expected cash flows is also amortized at effective interest rate for the remaining term of useful life of the asset. In case the asset is later found impaired, the amount reported in equity is reclassified into the profit and loss statement.

4 Material Provisions of Accounting Policy(continued)

Derecognition

Financial asset (or, where applicable – a portion of a financial asset or a portion of a group of similar financial assets) is derecognized on the balance sheet provided that:

- ❖ Validity term of the right to receive cash flows from the asset has expired;
- ❖ The Group has transferred its right to receive cash flows from the asset or has assumed liability to fully pay the received cash flows to the third party without material delay under transitional contract; and (a) the Group has transferred practically all risks and benefits from the asset or (б) has neither transferred nor reserved practically all risks and benefits from the asset but has transferred the control over this asset.

If Group has transferred all rights to receive cash flows from the asset or has concluded a transitional contract, and has neither transferred nor reserved practically all risks and benefits from the asset but has not transferred the control over this asset, the new asset is recognized to the extent that the Group proceeds to participate in the transferred asset.

In this case, the Group recognizes the corresponding liability as well. The transferred asset and the corresponding liability are measured on the basis that is taking into account the rights and liabilities reserved by the Group. The continued participation in form of the transferred asset warranty is recognized at the lower of: the initial carrying amount of the asset, and the maximum amount the Group may be requested to pay.

Financial assets impairment

At each reporting date, the Group assesses if there is objective evidence that financial asset or group of assets has impaired. Financial asset or group of assets is considered impaired only when there is an objective evidence of impairment due to one or more events that occurred after initial recognition of the asset
(the case of incurring losses) that had a reliably measured effect on the expected future cash flows for the asset or group of assets. Evidence of impairment may indicate that a debtor or a group of debtors experiences significant financial difficulties, is not able to pay the debt or is delinquent in principal or interest payments, or that there is a possibility that a debtor or a group of debtors will undertake bankruptcy procedure or other financial restructuring. Apart for that, such evidence considers information indicating a measurable decrease in the expected future cash flows under the instrument, such as change in the amount of arrears or economic conditions interrelated with the refusal to fulfill payment liability.

4 Material Provisions of Accounting Policy(continued)

Financial assets measured at amortized cost

For financial assets measured at amortized cost the Group first assesses objective evidence of exists individually for assets that are individually significant or collectively for assets that are not individually significant. If there is no objective evidence of impairment under the individual assessment of an asset, regardless of their individual importance, this asset is attributed to the group of assets with similar credit risk indicators and then impairment of these assets is assessed collectively. Assets individually assessed for impairment for which impairment loss is recognized or continued to be recognized, are not collectively assessed for impairment.

If there is an objective evidence of impairment loss, the amount of the loss is determined as the difference between the carrying amount of the asset and the present value of expected future cash flows (not taking into account the unearned expected future credit loss). The present value of the estimated future cash flows is discounted at the asset's original effective interest rate. For variable interest rate, the discount rate to be used for measuring the loss of the impairment is the current effective interest rate.

The carrying amount of the asset is reduced by the use of an allowance account and the amount of the loss is recognized in the profit and loss statement. Accrual of interest income for the reduced carrying amount then continued based on the interest rate used for discounting of future cash flows in order to measure the impairment loss. Interest income is recognized in financing income in the profit and loss statement. If there is no realistic prospect of future recovery and all available collateral was realized or transferred to the Group, assets together with the associated allowance are written off. If during the subsequent year the amount of the impairment loss is increased or reduced due to some even occurring after the impairment was recognized, then the previously recognized impairment loss is increased or reduced by adjusting allowance account. If previously written-off financial asset is later recovered, then the recoverable amount is recognized in financing expense in the profit and loss statement.
Financial investments available for sale. At each reporting date, the group determines if there is any objective evidence of impairment of financial investment or group of investments available for sale.

For investments in equities that are classified as available for sale, objective evidence will include significant or prolonged decrease in fair value below cost. Significance must be assessed in comparison with the cost of investments, while longevity – in comparison with the period in which fair value was below cost. If there is evidence of impairment, the accumulated loss determined as the difference between the cost and current fair cost net of the previously

4 Material Provisions of Accounting Policy(continued)

recognized in the profit and loss statement impairment loss on these investments, is excluded from other comprehensive income and recognized in the profit and loss statement. The loss of impairment on investments in equities is not recovered through the profit and loss statement; increase in their fair value after the impairment is recognized directly in other comprehensive income.

Impairment of debt instruments classified as available for sale is assessed based on the same criteria as those used for financial assets measured at amortized cost. However, the amount of the reported impairment loss represents accumulated loss determined as the difference between the amortized cost and current fair value net of impairment loss on these investments previously recognized in the profit and loss statement.

Accrual of interest income for the reduced carrying amount of the asset is then continued at the interest rate used for discounting of future cash flows in order to measure the impairment loss. Interest income is recognized in financing income in the profit and loss statement. If during the subsequent year fair value of the debt instrument increases and this increase may be objectively linked to the event that occurred after the impairment recognition in the profit and loss statement, then the impairment loss is recovered through the profit and loss statement.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities falling within the scope of IAS 39 are respectively classified as financial liabilities reclassified at fair value through profit or loss, loans and borrowings or derivatives designated as instruments in an effective hedge. The Group classifies its financial liabilities at their initial recognition. Financial liabilities are initially recognized at fair value (increased in case of loans and borrowings) in the directly associated transaction costs.

Financial liabilities of the Group include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivates.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows: Financial liabilities at fair value through profit or loss. 'Fair value through profit or loss' category comprises financial liabilities held for sale and financial liabilities attributed at their initial recognition to the 'fair value through profit or loss' category. Financial liabilities are classified as held for sale if they are acquired with a view to sale in the nearest future. This category includes derivatives under which the Group is a party to a contract, not designated as

4 Material Provisions of Accounting Policy(continued)

hedging instruments in a hedging transaction as defined under IAS 39. Separated embedded derivatives are also classified as held for sale except for the cases when they are designated instruments of effective hedging.

Income and expense from liabilities held for sale is recognized in the profit and loss statement.

The Group does not have financial liabilities determined as financial liabilities at fair value through profit or loss at initial recognition.

Loans and Borrowings

After initial recognition interest loans and borrowings are measured at amortized cost under effective interest rate method. Income and expense from such financial liabilities is recognized in the profit and loss statement at their derecognition and as the amortization at the effective interest rate is accrued. Amortized cost is calculated taking into account all discounts or premiums at acquisition, as well as fees or costs constituting an integral part of effective interest rate. Amortization at effective interest rate is included in financing income or expense in the profit and loss statement.

Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are contracts requiring the issuer to make specified payment to reimburse the holder for the loss it incurs as a result of the specified debtor's failure to make payment when due under the terms of the debt instrument. Financial guarantee contracts are initially recognized as liabilities at fair value taking into account transaction costs directly related to issue of the guarantee. The liability is subsequently assessed at the higher of: the best estimated amount of costs required to pay the existing liability at the reporting date, and the recognized amount of the liability, net of accumulated amortization.

Derecognition

Financial liability in the statement of financial position is derecognized if the liability is discharged, cancelled or expired. If the existing financial liability is replaced by other liability to the same creditor on significantly different terms, or if the terms of the existing liability are changed, then such replacement or change is accounted for as derecognition of the original liability and the beginning of recognition of a new liability, and the difference between their carrying amount is recognized in the profit and loss statement.

Offset of Financial Instruments

Financial assets and liabilities must be offset and the net amount must be reported in the consolidated statement of financial position only when there is an effective legal right to offset the recognized amounts, as well as the intention to make a netto calculation or to realize assets and simultaneously settle liabilities.

4 Material Provisions of Accounting Policy(continued)

At each reporting date, fair value of financial instruments traded on active markets is determined based on the market or dealer quotations.
(bid quotations for long positions and bid quotations for short positions), without deduction of transaction costs.
For financial instruments not traded on active market the fair cost is determined by means of the appropriate valuation techniques. These may use prices of recent commercial transactions, current fair value of similar instruments; analysis of discounted cash flows or other valuation models.

Convertible Preference Stock
Convertible preference stock includes a debt and equity element based on the contract terms. When issuing convertible preference stock, fair value of the debt element is determined at the market rate used for similar non-convertible stock. This amount is recognized as financial liability at amortized cost (net of transaction costs) until it is discharged by conversion or repurchased.

The remainder of the received amount is treated as conversion option recognized and reported in equity net of transaction costs. Carrying amount of the conversion option is not reassessed in subsequent reporting years.

Transaction costs are allocated between the debt and equity elements of convertible preference shares proportionally to allocation of debt and equity inflows
at the moment of initial recognition of the instruments.

(k) Treasury Stock
Repurchased equity instruments (treasury stock) are recognized at cost and deducted from equity. Income and expense associated with purchase, sale, issue or cancellation of treasury stock is not recognized in the profit and loss statement. The difference between the carrying amount and the amount of consideration is recognized in other funds for stock issued.

(l) Property, Plant and Equipment

Owned assets
Property, plant and equipment are stated at actual or probable cost of purchase or non-contracted construction, less accumulated depreciation and impairment losses. Cost of property, plant and equipment constructed on a non-contractual basis includes direct material and labor costs and related overheads. If property, plant and equipment item consists of several

4 Material Provisions of Accounting Policy(continued)

components having different useful lives, such components are carried as separate property, plant and equipment items.

Cost of property, plant and equipment as at the date of transition to IFRS was determined based on their fair value revaluated as at the above date by an independent appraiser duly qualified and experienced in valuation of similar items.

Property, plant and equipment are further carried by the Group based on revaluation model. The Group's management believe that it will result in more fair presentation of the Group's financial position and its business performance. Revaluation of property, plant and equipment must be performed on a regular basis. Revaluation frequency depends on variation in property, plant and equipment fair value.

Any property, plant and equipment revaluation surplus is credited to the equity section, except to the extent it reverses a revaluation decrease of the same asset previously recognized in income statement. In such a case, the reversing is also recognized in income statement. Property, plant and equipment revaluation deficit is recognized in income statement, except to the extent it reverses a revaluation increase of the same asset previously recognized in the equity section. In this case, the reversing is also recognized in the equity section.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Upon derecognition or disposal of the asset, the revaluation increase relating to the particular asset and included in equity is transferred to retained earnings.

Upon disposal of the asset, a transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation amount based on the revalued carrying amount of the asset and depreciation amount based on the asset historical cost.

Deferred tax liabilities (assets) relating to property, plant and equipment revaluation are recognized by the Group in equity.

If the item of property, plant and equipment comprises several components having different useful lives, such components are carried as separate items of property, plant and equipment.

Profits and losses arising on disposal of property, plant and equipment are recognized in the income statement when they arise.

Subsequent expenses
Expenses related to replacement of fixed assets item component, carried separately, are capitalized at the time of write-off of disposed component cost. Other subsequent expenses are capitalized if only they result in increased future economic benefit from using such fixed assets

4 Material Provisions of Accounting Policy(continued)

item. All other expenses are allocated to the financial result of the period when they were incurred.

Depreciation
Depreciation is calculated for the probable useful life of certain items of property, plant and equipment based on a straight-line method and is allocated to the financial result. Leased property, plant and equipment are amortized during the shorter of useful life or leasing period.

Depreciation begins when the asset becomes available for use, i.e. when location and condition of the asset provide for its using as planned by the management, and as to the assets constructed on a non-contractual basis – from the date of completion of construction and preparation to further use. Amortization is ceased at derecognition of the asset. No depreciation of land is provided for.

Useful lives of different assets are shown below:

▪ Buildings and facilities	20 - 100 years
▪ Plant and equipment	5 - 30 years
▪ Other	2 - 5 years

Capital construction in progress
Capital construction in progress includes all expenses related to capital investments to non-current assets.

The cost of capital construction in progress also includes financing expenses incurred during the period when the item was acquired and erected, if borrowings are used for financing. Those assets are amortized beginning from the month following the month of their commissioning and is calculated based on the method used for similar property, plant and equipment. The carrying value of construction in progress items is reviewed on a regular basis in order to assess whether it is fair and whether appropriate provision for impairment is required.

(m) Lease
Based on transaction analysis, a transaction is determined as a lease or an arrangement containing a lease. In doing so, it must be determined as of the contract start date whether the contact fulfillment depends on the use of specific asset or assets and whether the right to use the asset is conveyed as a result of this transaction. Under the requirements of IFRIC 4 in relation to the transitional period for contracts made before 1 January 2005, the conventional start date is 1 January 2005.

4 Material Provisions of Accounting Policy(continued)

(n) (Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of an asset that requires prolonged period for preparation to the use in accordance with the Group intentions or to sale are capitalized as a part of cost of such asset. All other borrowing costs are recognized as expense in the period they are incurred. Borrowing costs include interest expense and other borrowing costs incurred by an entity in relation to borrowings including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
The Group capitalizes borrowing costs for all qualifying assets which construction started on or after 1 January 2009. The Group continues to recognize as expense those borrowing costs related to construction projects, started before 1 January 2009.

(o) Investment Property

Investment property is initially measured at cost model, including transaction costs. Carrying amount includes the cost of replacement of parts of existing investment property at the moment such costs arise if they meet recognition criteria, and excludes maintenance costs of investment property. After initial recognition, investment property is measured at fair value which reflects market conditions existing at the reporting date. Income or expense arising from a change in fair value of the investment property is included in the profit and loss statement for the year in which they arise.
Investment property is derecognized in the statement of financial position in case of its liquidation or in case it is decommissioned and there is no probability of future economic benefits from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit and loss statement for the year in which the asset was derecognized. Transfers into or out of investment property are carried out only when there is a change in the pattern of use of the investment property. For a transfer from investment property to owner-occupied property contingent cost to be used for purposes of subsequent accounting is the fair value at the change of use. In case of transfer from owner-occupied property to investment property, the Group recognizes such property in accordance with the policy for accounting property, plant and equipment until the change of use.

(p) Intangible assets

At initial recognition, separately acquired intangible assets are measure at cost. Cost of intangibles acquired as part of a business combination is their fair value at the date of

4 Material Provisions of Accounting Policy(continued)

acquisition. After initial recognition, intangible assets are measured at cost net of accumulated amortization and impairment loss. Intangible assets generated internally are not capitalized except for development costs and the associated income is reported in the profit and loss statement for the year in which it arises.
Useful life of intangibles may be either finite or indefinite.

Intangible assets with finite useful life are amortized during the whole useful life and are assessed for impairment if there is any indication of impairment for these intangible assets. The period and method of accrual amortization for intangible assets with finite useful life are reviewed at least annually. Change in projected useful life or projected structure of consumption of future economic benefits attached to the asset is reported as the change in the period or method of amortization accrual, depending on the situation, and is recognized as change in accounting estimates. Amortization expense from intangible assets with finite useful life is recognized in the profit and loss statement in the expense category corresponding with the function of these assets.

Intangible assets with indefinite useful life are not amortized but tested for impairment annually, either individually or at the level of cash generating units. Useful life of an intangible asset with indefinite useful life is reviewed annually in order to determine if it is reasonable to classify such asset as intangible asset with indefinite useful life. If this is unreasonable, then the change of estimated useful life from indefinite to finite is carried out prospectively.

Income or expense from writing off intangible assets is measured as the difference between the net revenue from the asset liquidation and the asset carrying amount, and is recognized in the profit and loss statement at the moment such asset is written off.

Research and Development Costs
Research and Development costs are recognized in expense as incurred. Intangible asset created as a result of research and development costs of a specified product is recognized only when the Group may establish the following:

- technical feasibility of the asset for sale or use;
- Its intention to create and use or sell the intangible asset;
- the pattern of creating future economic benefits by the intangible asset;
- sufficient resources available to complete the development;
- capacity to reliably assess costs associated with the intangible asset in the course of its development.

4 Material Provisions of Accounting Policy(continued)

After initial recognition of the research and development costs as an asset, intangible assets are measured at cost model requiring assets to measured at cost net of accumulated amortization and impairment loss. Amortization of an asset starts after development when the asset is ready for use. Amortization is carried out during the estimated period of receiving future economic benefits. Amortization is recognized in prime cost. During the development period the asset is annually assessed for impairment.

(q) Inventories

Inventories are measured at the lowest of: cost of acquisition and net realizable value.

Costs incurred at delivery of each product to the place of destination and conditioning are recognized as follows:

Inventories	Method
Materials and supplies	Costs of FIFO purchase
Finished goods and Goods in process	Direct material and labour costs, as well as the share of indirect production costs at normal capacity, not taking into account borrowing costs.

Net realizable value is determined as projected selling price in the course of ordinary business net of projected expense from production completion and estimated realizable value.

(r) Impairment of Non-Financial Assets

At each reporting date, the Group assesses if there are any indications of possible impairment of the asset. If this is a case or if annual assessment for impairment is required for the asset, then the Group assesses the recoverable amount for the asset. Recoverable amount of asset or cash generating unit (CGU) id the highest of: fair value of asset (CGU) net of costs to sell, and the value in use of the asset. (CGU). Recoverable value is determined for the individual asset except for cases when the asset is not generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the carrying amount of an asset or cash generating unit exceeds its recoverable value, then the asset is impaired and is written off to the recoverable amount. At measurement of value in use, future cash flows are discounted at the discount rate before tax that reflects the current market estimate of temporary cash value and risks attached to the asset. At measurement of fair value net of costs to sell, the appropriate valuation mode is applied. These estimates are proved by ratio estimations, price quotations of publicly traded shares of subsidiaries or other available fair value indicators.

4 Material Provisions of Accounting Policy(continued)

Loss from impairment of continuing operations is recognized in the profit and loss statement in the expense category corresponding with the function of the impaired asset, except for the previous revaluation of property recognized in other comprehensive income. In this case impairment loss is also recognized in other comprehensive income within the amount of the previous revaluation.

At each reporting date, the Group determines if there are any indications that previously recognized impairment loss of assets except for goodwill no longer exist or have been reduced. If such indication is detected, the Group determines the recoverable amount of the asset or the cash generating unit. Previously recognized impairment loss is reversed only when there was a change in assessment used to determine recoverable amount of the asset since the date of last recognition of impairment loss. Reversal is limited in such as way as the asset carrying amount does not exceed its recoverable value, and may not exceed its carrying amount net of amortization at which this asset would be recognized if the impairment was not recognized in previous years. Such reversal is recognized in the profit and loss statement except for the cases when the asset is recognized at reassessed value. In this case reversal is recognized as revaluation surplus.

When determining whether an asset is impaired, the following criteria are applied:

Goodwill
Goodwill is tested for impairment annually (as of 31 December), and also in cases when events or circumstances indicate that its carrying amount may be impaired. Impairment of goodwill is determined by means of measurement of recoverable value of associated cash generating units (or a group of cash generating units). If recoverable value of cash generating units is less than their carrying amount, then impairment loss is recognized. Loss from impairment of goodwill may not be reversed in subsequent periods.

Intangible assets
Intangible assets with finite useful life are tested fro impairment annually as of 31 December and also if there is an indication that their carrying amount may be impaired. Impairment test is carried on individual asset basis or, if necessary, at the level of the cash generating unit.

(s) Cash on hand and demand deposits
Cash and short-term deposits in the profit and loss statement include cash in banks and on hand and short-term deposits with initial repayment term less or equal to 3 months.

4 Material Provisions of Accounting Policy(continued)

(t) Provisions

General provisions
Provisions are recognized if the Group has a present liability (legal or constructive) occurring as result of a past event; payment of required economic benefits is probable; and the amount of liability may be reliably estimated. If the Group expects to recover some part of or all provisions, for example, under an insurance contract, then the recovered payment is recognized as an individual asset, but only when payment is undoubted. Expense associated with the provision is reported in the profit and loss statement net of recovery. If the influence of temporary cash value is insignificant, the provisions are discounted at the current rate before tax which reflects, when applicable, risks associated with the specified liability. If discounting is applied, then gradual increase of provision is recognized as financing expense.

Restructuring
Restructuring provision is recognized when the official plan of restructuring is approved by the Group, and related work has been commenced, or official notification on such restructuring has been made. The provision for future operating expenses is not made.

Provisions for leaves
The Group makes provision for future employee leave payments.
The provision amount is measured based on anticipated annual expenses for employee leaves, including single social tax to be imposed. The provision is made subject to all planned leaves in the reported year, including leaves for the previous years, provided those leaves were not covered by the carry forward provision.

Contingent liabilities recognized at business combination
A contingent liability recognized at business combination is first measured at fair value. Then it is measured at the biggest of:

- ❖ the amount to be recognized in accordance with the below general recommendations in relation to provisions (IAS 37);
- ❖ initially recognized amount net of, when appropriate, accumulated amortization recognized under the guidance on revenue recognition (IAS 18).

5 Reasonable accounting judgments, accounting estimates and assumptions

Judgments

Preparation of the consolidated financial statements of the Group requires its management to make judgments, estimates and assumptions at each reporting date, having effect on the amounts reported in the financial statements for revenue, income, assets and liabilities, as well as on disclosures of contingent liabilities. However, uncertainty in these assumptions and estimates may lead to results requiring subsequent significant adjustments of the carrying amount of the asset or liability in relation to which such assumptions and estimates are made.

Useful Life of Property, Plant and Equipment

Fair value of the Group Property, Plant and Equipment is measured by independent appraisers inline with international appraising standards. Furthermore, the management assesses the remaining useful life of its property, plant and equipment according to current technical condition of assets and the estimated period of economic benefit derived from these assets by the Group. Estimates of recoverable value, depreciated recoverable value and the remaining useful life have effect on accounting value and amortization of property, plant and equipment. Actual results may differ from these estimates.

Doubtful Debt Allowance

At the end of the reporting or interim period doubtful receivables are assessed based on the analysis of all groups of receivables. Bad debts are written off in the period they are identified.

Obsolescence of Assets

At each reporting date the Group management assesses if there are any indications that the recoverable amount of assets has decreased relative to the carrying amount. Recoverable amount of assets is the highest of: their fair value net of costs to sell, and value in use. In case such decrease is identified, the carrying amount of assets is reduced to their recoverable amount. The amount of decrease is reported in the consolidated profit and loss statement for the period in which such decrease is identified. If circumstances have changed and the management decides that the cost of asset other than goodwill has increased, then the provision for obsolescence will be fully or partially restored.

Contingent tax liabilities

Russian tax legislation allows different interpretations and is subject to changes that can occur frequently. When the Group management believes that there is a significant doubt that the group tax stability will be preserved, proper liabilities are recognized in its financial statements in line with IFRS.

5 Reasonable accounting judgments, accounting estimates and assumptions (continued)

Taxes

Deferred tax assets are recognized for all unused tax losses to the extent it is probable to receive taxable profit against which tax loss may be set off. In order to determine the amount of deferred tax asset that can be recognized in financial statements based on the amount of future taxable profit and the estimated terms of its receipt and, as well as in order to develop the tax planning strategy, reasonable judgement of the management is required.

Contingent assets and liabilities

The nature of contingent assets and liabilities is such that they are supposed to be realized only upon occurrence or absence of one or more future events. Measurement of such contingent assets and liabilities is closely related with the use of significant portion of subjective judgement and estimates of results of future events.

Revaluation of Property, Plant and Equipment and of Investment Property

The Group evaluates land based on revaluation model, ands changes in fair value are recognized in other comprehensive income. The Group has engaged an independent appraiser for evaluating fair value of land as of 6 March 2009.

Impairment of Non-Financial Assets

Impairment occurs if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, which is the highest of: fair value net of costs to sell, and the value in use. Fair value net of costs to sell is determined based on the available information on binding commercial selling transactions of similar assets or based on the observed market prices net of additional costs incurred due to liquidation of the asset. Value in use is determined based on the discounted cash flows model. Cash flows are withdrawn from the budget for the subsequent five years and do not include restructuring activities in relation to which the Group does not yet have liabilities, or significant future investments, which will improve asset results of the cash generating unit tested for impairment. Recoverable amount is the one most sensitive to the discount rate used in the discounted cash flows model, as well as to the projected cash proceeds and growth rates used for extrapolation purposes.

5 Reasonable accounting judgments, accounting estimates and assumptions (continued)

Fair Value of Financial Instruments

When fair value of financial assets and financial liabilities recognized in the statement of financial position may not be determined based on data of active markets, then it is determined by means of valuation methods, including the discounted cash flows model. The information from the monitored markets is used, if appropriate, as source data for these models. However, in case this is not feasible, a certain portion of judgement is required in order to determine fair value. Judgements take into account such source data as liquidity risk, credit risk and volatility. Changes in assumptions related to these factors may have effect on fair value of financial instruments reported in financial statements.

6 The standards issued but not yet effective

Below are the standards issued but not yet effective as of the issue date of the Group financial statement:

IFRIC 17 “Distribution of Non-Cash Assets to Owners”
This interpretation is effective for annual reporting periods beginning on or after 1 July 2009. Earlier application is also permitted. The Interpretation provides instructions on accounting of distribution of non-cash assets to owners. IFRIC 17 clarifies when a liability should be acknowledged, how this liability and the corresponding assets should be assessed, and when the process of recognition of an asset and liability must be stopped.
The Group believes that IFRIC 17 will not have effect on the consolidated financial statements since the Group did not distribute non-cash assets to owners in the past.

7 Subsidiaries

The list of subsidiaries with the Company’s ownership interest in share capital as at 31 December 2009 and 31 December 2008, countries of incorporation and type of activity are represented below.

(All amounts in tables below are denominated in thousand of US dollars and Russian rubles)

7 Subsidiaries (continued)

	Description / trend of activity	Country	Ownership or participation interest as of 31 December 2009	Ownership or participation interest as of 31 December 2008
PAVA-Export LLC	Wheat wholesale trade	Russia	100,00%	100,00%
"Greinvest" OJSC	Production of ethyl alcohol from fermented materials	Russia	100,00%	100,00%
"Global Agro" OJSC	Commercial activity consulting	Russia	100,00%	100,00%
Romanovskoe ZPP JSC	Grain storage and primary processing	Altai Territory, Russia	100,00%	100,00%
Selkhozholding LLC	Crop growing and wholesale trade	Altai Territory, Russia	100,00%	100,00%
"Russian agricultural division" OJSC	Cultivation, storage, drying and wholesale of grain products	Russia	100%	100%
"Korporatsiya "Transagro" OJSC	Other wholesale	Russia	100%	100%
"Agrofirma "Niva" LLC	Cultivation of grain and pulse crops	Russia	100%	100%
"Allak" LLC	Crop production	Russia	100%	100%
"Pankrushinskoye HPP" LLC	Procurement organization	Russia	100%	100%
"Seliverstovo" LLC	Crop production	Russia	-	100%
"Bulatovo" LLC	Crop production	Russia	100%	100%
"Bolsheluyskoye" LLC	Crop production	Russia	100%	100%
"Kansky elevator" LLC	Crop production	Russia	100%	100%
"Irbeyskoye HPP" LLC	Crop production	Russia	100%	100%
"Prychulymskoye" OJSC	Crop production	Russia	100%	100%
"Irbeyskoye HPP" OJSC	Grain wholesale	Russia	84,86%	84,86%
"Novokoshkulskoye" OJSC	Crop production	Russia	100%	100%
"Tatyanovskoye" OJSC	Crop production	Russia	-	100%
"Ilanskoye" OJSC	Crop production	Russia	-	100%
"Sayanskoye" OJSC	Crop production	Russia	-	100%
"Vladimirskoye" OJSC	Crop production	Russia		100%
"Chemrovsk grain receiving enterprise" CJSC	Wholesale through agents	Russia	100%	-
SKPK "Alyans"	Agricultural cooperative	Russia	100%	-
"Keres Agrarian Holding" LLC	Other financial mediation	Cyprus	100%	-

7 Subsidiaries (continued)

For the year ended 31 December 2009 the Group has suffered the following changes:

In 2009, the following companies left the Group:

- ❖ In September 2009, OJSC Ilanskoye was liquidated. The company was set up by the Group in October 2008.
- ❖ In March 2008, the Group sold its 100% share in the charter capital of LLC Seliverstovo.
- ❖ In December 2009, OJSC Tatyanovskoye was liquidated. The company was set up by the Group in September 2008.
- ❖ In August 2009, OJSC Sayanskoye was liquidated. The company was set up by the Group in September 2008.

In January 2009, the Group acquired 100% share in the charter capital of CJSC Chemrovsk grain receiving enterprise.

These acquisitions had an impact on the Group's financial results for 2009 (see the table below).

	CJSC Chemrovsk grain receiving enterprise '000 USD	**CJSC Chemrovsk grain receiving enterprise** '000 RUR	**Total** '000 USD	**Total** '000 RUR
Cost of acquired share in respect of fair value of net identified assets	3 854	122 279	3 854	122 279
Cost of financial investments	1 418	45 000	1 418	45 000
Excess of share in fair value of net identified assets over purchase price	2 436	77 279	2 436	77 279
Recording of revenue from acquisition of interest in Income Statements	**2 436**	**77 279**	**2 436**	**77 279**

8 Reclassification of consolidated financial statements for the year ended December 31, 2008

In the consolidated financial statements for the year ended December 31, 2008, the changes were made to classification of separate items of income statement so that they comply with reporting form for the year ended December 31, 2009 as in the Group's Management opinion, the new reporting form provides better understanding of consolidated financial statements of the Group.

Reclassifications on the Income Statement are represented below:

Changes in classification	Note	'000 RUR	Income Statement account according to current statement	'000 RUR	Income Statement account according to previous statement
INCOME STATEMENT					
	10	752 808	Cost of sold goods, work and services – bought goods	1 040 248	Cost of sold goods, work and services – goods for resale
	10	2 077 841	Cost of sold goods, work and services – materials and components used	1 790 401	Cost of sold goods, work and services – raw materials
Change in classification of income statement	**12**	294 716	Selling & distribution expenses – transportation	294 716	General, administrative and selling expenses – transportation
	12	11 594	Selling & distribution expenses – customs duties	11 594	General, administrative and selling expenses – customs duties
	12	55 739	Selling & distribution expenses – wages, salaries	55 739	General, administrative and selling expenses – wages, salaries
	12	8 701	Selling & distribution expenses – advertising & marketing	8 701	General, administrative and selling expenses – advertising & marketing
	12	8 513	Selling & distribution expenses – commissions	8 513	General, administrative and selling expenses – commissions
	12	1 759	Selling & distribution expenses – travel expenses	1 759	General, administrative and selling expenses – travel expenses
	12	13 319	Selling & distribution expenses – materials	13 319	General, administrative and selling expenses – packaging costs

8 Reclassification of consolidated financial statements for the year ended December 31, 2008 (continued)

Changes in classification	Note	'000 RUR	Income Statement account according to current statement	'000 RUR	Income Statement account according to previous statement
INCOME STATEMENT					
	12	9 167	Selling & distribution expenses – other selling & distribution costs	9 167	General, administrative and selling expenses – production certification costs
	12	13 237	Selling & distribution expenses – materials	41 003	General, administrative and selling expenses – customs duties
		27 766	Selling & distribution expenses – transportation		
	12	685	Selling & distribution expenses – storage charges, warehouse costs	2 417	General, administrative and selling expenses – miscellaneous
		1 732	Selling & distribution expenses – other selling & distribution costs		
Change in classification of income statement	**11**	5 836	Administrative expenses – bank charges	27 345	General, administrative and selling expenses – miscellaneous
	11	5 371	Administrative expenses - telephone		
	11	3 773	Administrative expenses - professional fees		
	11	300	General and administrative expenses - legal & notarial fees		
	11	2 391	Administrative expenses - factoring costs		
	11	832	Administrative expenses - insurance		
	11	5 676	Administrative expenses - maintenance costs		
	11	3 166	Administrative expenses - directors' Remuneration		

9 Net sales

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Proceeds					
Crop processing and wholesale trade		107 279	144 078	3 403 218	3 582 106
Food wholesale trade		27 277	13 465	865 322	334 764
Crop growing and wholesale trade		2 980	999	94 520	24 845
Pastry production		-	1 796	-	44 648
Services: grain storage, vehicles, handling operations		2 121	555	67 308	13 808
Total:		**139 657**	**160 893**	**4 430 368**	**4 000 171**

10 Cost of sold goods, work and services

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Cost of sold goods, work and services					
Materials and components used		69 041	83 574	2 190 200	2 077 841
Goods for resale		40 840	30 279	1 295 574	752 808
Depreciation		3 198	2 491	101 437	61 924
Wages, salaries		2 128	2 375	67 508	59 055
Light and heat		1 634	2 015	51 833	50 107
Repairs and renewals		1 016	45	32 217	1 124
Social security		499	532	15 841	13 201
Amortization		10	-	331	-
Other operating costs		3 783	2 765	120 019	68 755
Total:		**122 149**	**124 076**	**3 874 960**	**3 084 815**

11 Administrative expenses

Administrative expenses include as follows:

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Administrative expenses					
Wages, salaries		2 173	2 539	68 937	63 111
Social security		578	729	18 342	18 120
Materials		834	1 350	26 497	33 562
Depreciation		530	994	16 821	24 725
Bad debts		426	180	13 543	4 477
Bank charges		376	235	11 949	5 836
Rent		369	812	11 705	20 179
Security		331	369	10 494	9 169
Taxes		273	598	8 662	14 856
Travel expenses		229	524	7 265	13 016
Consulting		167	-	5 286	-
Telephone		162	216	5 153	5 371
Impairment loss		159	1 536	5 032	38 195
Contract penalties		137	309	4 353	7 676
Accountancy and audit		133	475	4 254	11 820
Professional fees		114	152	3 612	3 773
Transportation		111	530	3 512	13 165
Light and heat		111	357	3 512	8 869
Legal & notarial fees		93	12	2 953	300
Factoring costs		44	96	1 386	2 391
Insurance		40	33	1 273	832
Repairs and renewals		38	377	1 197	9 375
Amortization		26	-	809	1
Information service and IT		22	835	689	20 785
Maintenance costs		12	227	378	5 676
Management expenses		4	452	127	11 273
Directors' Remuneration		362	691	11 471	17 141
Miscellaneous		218	519	6 873	12 892
Total:		**8 072**	**15 147**	**256 085**	**376 586**

12 Selling and distribution expenses

Selling and distribution expenses include as follows:

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Selling and distribution expenses					
Transportation		7 156	12 971	227 023	322 482
Wages, salaries		1 445	1 799	45 842	44 731
Social security		357	443	11 338	11 008
Materials		584	1 068	18 515	26 556
Advertising and marketing		146	350	4 620	8 701
Customs duties		87	466	2 768	11 594
Commissions		84	342	2 655	8 513
Travel expenses		53	71	1 691	1 759
Storage charges, warehouse costs		32	28	1 002	685
Tender and auction participation fees		1	-	24	-
Other selling and distribution costs		208	438	6 583	10 899
Total:		**10 152**	**17 976**	**322 061**	**446 928**

13 Other operating income

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Other income					
Profit on sale of inventories excess		24	862	751	21 431
Profit on disposal of investments		94	1 269	2 990	31 545
Profit from changes in fair value of biological assets		8	-	259	-
Other operating income		948	309	30 074	7 671
Total:		**1 074**	**2 440**	**34 074**	**60 647**

14 Other operating expenses

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Other expenses					
Loss from disposal of P, P & E		200	382	6 335	9 501
Foreign currency exchange loss		79	2 980	2 513	74 086
Other expenses			258		6 422
Total:		**279**	**3 620**	**8 848**	**90 009**

15 Finance revenue

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Finance revenue					
Interest-bearing income		1 741	185	55 240	4 588
Income from consideration received		2 047	-	64 932	-
Total:		**3 788**	**185**	**120 172**	**4 588**

16 Finance costs

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Finance costs					
Interest expenses		5 965	5 423	189 230	134 822
Total:		**5 965**	**5 423**	**189 230**	**134 822**

17 Income tax

Income tax charged as at the balance sheet date includes as follows:

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Income tax					
Income tax – current		(126)	(69)	(4 006)	(1 718)
Income tax – deferred		541	130	17 174	3 240
Total:		**415**	**61**	**13 168**	**1 522**

Comparison of net income tax expense and the amount of tax, calculated at effective in Russian federation 24% rate, to income before tax is presented bellow. In 2008 the Government of the Russian Federation made alterations to the effective Tax legislation and lowered income tax rate from 24% to 20%.This amendment comes into effect on January 1, 2009.

	Notes	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Profit / (loss) before tax		337	854	10 709	21 197
Income tax rate		**20%**	**24%**	**20%**	**24%**
Estimated tax allocations		68	205	2 142	5 087
Nontaxable income from acquisition of subsidiaries		487	-	15 455	-
Other constant tax differences		(4)	232	(145)	5 762
Effect of income tax rate change		-	(34)	-	(847)
Repayment of income tax for the year		**415**	**61**	**13 168**	**1 522**

17 Income tax (continued)

Deferred tax assets and liabilities refer to the following temporary difference items:

	As of 31.12.2009	Timing difference variations over the year	Acquisition of subsidiaries	As at 31.12.2008
	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Tax impact of timing differences, increasing taxable base				
Property, plant and equipment	1 241 595	52 217	31 320	1 158 058
Long-term loans and borrowings	-	(33)	-	33
Biological assets	349	(135)	-	484
Other receivables	1 602	(218)	-	1 820
Other current assets	8	8	-	-
Other non-current liabilities	5 854	1 315	-	4 539
Short-term deferred income	130	130	-	-
Total amount of deferred tax liability	**1 249 538**	**53 284**	**31 320**	**1 164 934**
Tax impact of timing differences, decreasing taxable base				
Intangible assets	2	2	-	-
Property, plant and equipment	42 109	42 109	-	-
Construction-in-Progress	753	742	11	-
Long-term investments	15 486	172	-	15 314
Other Non-current assets	5 920	1 221	-	4 699
Inventories	3 857	(27)	-	3 884
Receivables	11 597	375	340	10 882
Prepaid expenses	731	-	-	731
Short-term borrowings and loans	15	-	-	15
Other current assets	893	(70)	-	963
Payables	276	276	-	-
Current taxes payable	136	136	-	-
Other current liabilities	31	31		-
Provisions for liabilities and charges	1 908	524	1	1 383
Total amount of deferred tax asset	**83 714**	**45 491**	**352**	**37 871**
Presentation currency translation		-		
Net variation of timing differences		**(7 793)**		
including income statement		17 174		
including that reported in the statement of comprehensive income		(24 967)		

17 Income tax (continued)

	As of 31.12.2009 '000 USD	Timing difference variations over the year '000 USD	Acquisition of subsidiaries '000 USD	As at 31.12.2008 '000 USD
Tax impact of timing differences, increasing taxable base				
Property, plant and equipment	41 052	1 726	987	39 416
Long-term loans and borrowings	-	(1)	-	1
Biological assets	12	(4)	-	16
Receivables	53	(7)	-	62
Other non-current liabilities	195	41	-	154
Short-term deferred income	4	4	-	-
Total amount of deferred tax liability	**41 315**	**680**	**987**	**39 650**
Tax impact of timing differences, decreasing taxable base				
Property, plant and equipment	1 392	1 392	-	-
Construction-in-Progress	25	25	-	-
Long-term investments	512	(9)	-	521
Other non-current assets	196	36	-	160
Inventories	128	(4)	-	132
Receivables	383	2	11	370
Prepaid expenses	24	(1)	-	25
Short-term borrowings and loans	-	(1)	-	1
Other current assets	30	(3)	-	33
Payables	9	9	-	-
Current taxes payable	4	4	-	-
Other current liabilities	1	1	-	-
Provisions for liabilities and charges	65	18	-	47
Total amount of deferred tax asset	**2 768**	**1 469**	**11**	**1 289**
Presentation currency translation		(543)		
Net variation of timing differences		**(246)**		
including Income statement		541		
including that reported in the statement of comprehensive income		(787)		

18 Earnings per share

Earnings per share are calculated through division of profits due to owners of ordinary shares by average weighted number of outstanding ordinary shares over the period. The Company does not have convertible bonds and share options which can be converted in future to ordinary shares.

In 2009, the average weighted number of shares made 88,421,053 (in 2008 – 88,421,053 акций).

Earnings per share (basic and diluted) for the year ended 31 December 2009 made USD 0,008 per share (RUR 0.28 per share).

Earnings per share (basic and diluted) for the year ended 31 December 2008 made USD 0.010 per share (RUR 0.25 per share).

19 Intangible assets

	Note	Licenses	Right to land lease	Software	Goodwill	Other	Total
		'000 RUR	000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Cost as of January 1, 2008		**61**	**-**	**56**	**-**	**-**	**117**
Acquisition of intangible assets		-	-	810	-	-	**810**
Acquisition of subsidiaries - intangible assets cost		-	374	234	53 458	-	**54 066**
Disposal of subsidiaries - intangible assets cost		(29)	-	(56)	-	-	**(85)**
Disposal of intangible assets		(32)	-	-	-	-	**(32)**
Cost as at December 31, 2008		**-**	**374**	**1 044**	**53 458**	**-**	**54 876**
Acquisition of intangible assets		**-**	**-**	31	-	3 972	**4 003**
Disposal of intangible assets							
Cost as at December 31, 2009		-	(374)	(806)	-	-	(1 180)
		-	**-**	**269**	**53 458**	**3 972**	**57 699**
Amortization as of January 1, 2008							
Accumulated depreciation		**22**	**-**	**8**	**-**	**-**	**30**
Disposal of subsidiaries –intangible assets depreciation		-	-	318	-	-	318
Disposal of intangible assets		(3)	-	(8)	-	-	**(11)**
Amortization as of December 31, 2008		(19)	-	-	-	-	**(19)**
Accumulated depreciation		**-**	**-**	**318**	**-**		**318**
Disposal of intangible assets		**-**	**-**	809	-	331	**1 140**
Amortization as of December 31, 2009		**-**	**-**	(937)	-	-	**937**
Residual value as of January 1, 2009		**-**	**-**	**190**	**-**	**331**	**521**
Residual value as of December 31, 2009		**-**	**374**	**726**	**53 458**	**-**	**54 558**

19 Intangible assets (continued)

	Note	Licenses	Right to land lease	Software	Goodwill	Other	Total
		'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Cost as of January 1, 2008		**2**	**-**	**2**	**-**	**-**	**4**
Acquisition of intangible assets		-	-	33	-	-	**33**
Acquisition of subsidiaries - intangible assets cost		-	15	9	2 150	-	**2 174**
Disposal of subsidiaries - intangible assets cost		(1)	-	(2)	-	-	**(3)**
Disposal of intangible assets		(1)	-	-	-	-	**(1)**
Presentation currency translation		-	(2)	(6)	(331)		**(339)**
Cost as at December 31, 2008		**-**	**13**	**36**	**1 819**	**-**	**1 868**
Acquisition of intangible assets		**-**	-	1	-	125	**126**
Disposal of intangible assets		-	(12)	(25)	-	-	(37)
Presentation currency translation			(13)	(36)	(1 736)	6	**(1 779)**
Cost as at December 31, 2009		**-**	**-**	**9**	**1 768**	**131**	**1 908**
Amortization as of January 1, 2008		**1**	**-**	**-**	**-**	**-**	**1**
Accumulated depreciation		-	-	13	-	-	**13**
Disposal of subsidiaries –intangible assets depreciation		-	-	-	-	-	**-**
Disposal of intangible assets		(1)	-	-	-	-	**(1)**
Presentation currency translation				(2)			**(2)**
Amortization as of December 31, 2008		**-**	**-**	**11**	**-**		**11**
Accumulated depreciation		-	-	26	-	10	**36**
Disposal of intangible assets		-	-	(30)	-	-	**(30)**
Presentation currency translation				(1)		1	**-**
Amortization as of December 31, 2009		**-**	**-**	**6**	**-**	**11**	**17**
Residual value as of January 1, 2009		**-**	**13**	**25**	**1 819**	**-**	**1 857**
Residual value as of December 31, 2009		**-**	**-**	**3**	**1 768**	**120**	**1 891**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in tables below are denominated in thousand of Russian rubles)

20 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transport	Other property, plant and equipment	Construction-in-Progress	Total
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Cost as of January 1, 2008	**6 703**	**936 279**	**289 181**	**-**	**517**	**17 385**	**1 250 065**
Reclassification	-	(1 137)	(86 266)	71 464	15 941	-	**-**
Proceeds	720 309	25 666	38 360	58 812	3 746	8 689	**855 582**
Disposals	(6 216)	(137 638)	(28 062)	(12 799)	(2 482)	-	**(187 197)**
PP&E and land revaluation	5 037 028	43 843	103	13 702	2 462	-	**5 097 138**
Improvement, modernization	-	1 789	2 254	231	713	-	**4 987**
Acquisition of subsidiaries	46	204 828	38 038	33 040	1 455	-	**277 407**
Cost as at December 31, 2008	**5 757 870**	**1 073 630**	**253 608**	**164 450**	**24 350**	**26 074**	**7 297 982**
Reclassification							
Proceeds	(294 711)	10 491	117 499	28 524	791	291 691	**154 289**
PP&E and land revaluation	217 320	-	-	-	-	-	**217 320**
Improvement, modernization	-	1 403	2 234	-	43	-	**3 680**
Acquisition of subsidiaries	-	160 973	2 613	4 073	89	-	**167 748**
Disposals	-	(11 817)	(5 907)	(11 838)	(117)	-	**(29 679)**
Cost as at December 31, 2009	**5 680 479**	**1 234 684**	**370 047**	**185 209**	**23 156**	**317 765**	**7 811 340**
Depreciation as of January 1, 2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	-	38 884	25 530	19 763	3 202	-	**87 379**
Depreciation of disposed PP&E	-	(10 531)	(7 318)	(1 753)	(703)	-	**(20 305)**
PP&E and land revaluation	-	(3 911)	(2 268)	(7 291)	(223)	-	**(13 693)**
Depreciation as of December 31, 2008	**-**	**24 442**	**15 944**	**10 719**	**2 276**	**-**	**53 381**
Depreciation	-	50 179	33 973	22 746	3 599	-	**110 497**
Depreciation of disposed PP&E	-	(742)	(632)	(2 317)	(49)	-	**3 740**
PP&E and land revaluation	-	-	-	-	-	-	**-**
Depreciation as of December 31, 2009	**-**	**73 879**	**49 285**	**31 148**	**5 826**	**-**	**160 138**
Residual value as of January 1, 2009	**5 757 870**	**1 049 188**	**237 664**	**153 731**	**20 074**	**26 074**	**7 244 601**
Residual value as of December 31, 2009	**5 680 479**	**1 160 805**	**320 762**	**154 061**	**17 330**	**317 765**	**7 651 202**

Information on pledged property, plant and equipment as at 31 December 2009 is detailed in *Note 32, 35*.

20 Property, plant and equipment (continued)

	Land	Buildings	Machinery and equipment	Transport	Other property, plant and equipment	Construction-in-Progress	Total
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Cost as of January 1, 2008	**273**	**38 144**	**11 781**	**-**	**21**	**708**	**50 927**
Reclassification	-	(46)	(3 514)	2 911	649	-	**-**
Proceeds	28 972	1 032	1 543	2 366	151	349	**34 413**
Disposals	(250)	(5 536)	(1 129)	(515)	(100)	-	**(7 530)**
PP&E and land revaluation	171 442	1 492	4	466	84	-	**173 488**
Improvement, modernization	-	72	91	9	29	-	**201**
Acquisition of subsidiaries	2	8 113	1 507	1 309	58	-	**10 989**
Currency translation effect	(4 462)	(6 729)	(1 651)	(948)	(131)	(170)	**(14 092)**
Cost as at December 31, 2008	**195 977**	**36 542**	**8 632**	**5 597**	**761**	**887**	**248 396**
Reclassification	-	-	-	-	-	-	**-**
Proceeds	(9 290)	331	3 704	899	25	9 195	**4 864**
PP&E and land revaluation	6 055	-	-	-	-	-	**6 055**
Improvement, modernization	-	44	70	-	1	-	**115**
Acquisition of subsidiaries	-	5 479	89	139	3	-	**5 710**
Disposals	-	(373)	(186)	(373)	(4)	-	**(936)**
Currency translation effect	(4 922)	(1 199)	(74)	(138)	(20)	425	**(5 928)**
Cost as at December 31, 2009	**187 820**	**40 824**	**12 235**	**6 124**	**766**	**10 507**	**258 276**
Depreciation as of January 1, 2007	**-**	**-**	**-**	**-**	**-**	-	**-**
Depreciation	-	1 564	1 027	795	129	-	**3 515**
Depreciation of disposed PP&E	-	983	641	431	92	-	**2 147**
PP&E and land revaluation	-	(424)	(294)	(71)	(28)	-	**(817)**
Currency translation effect	**-**	(1 291)	(831)	(790)	(116)	-	**(3 028)**
Depreciation as of December 31, 2007	**-**	**832**	**543**	**365**	**77**	-	**1 817**
Depreciation	-	1 582	1 071	717	113	-	**3 483**
Depreciation of disposed PP&E	-	(23)	(20)	(73)	(2)	-	**(118)**
PP&E and land revaluation	-	-	-	-	-	-	**-**
Currency translation effect	**-**	52	36	21	5	-	**114**
Depreciation as of December 31, 2008	**-**	**2 443**	**1 630**	**1 030**	**193**	-	**5 296**
Residual value as of January 1, 2007	**195 977**	**35 710**	**8 089**	**5 232**	**684**	**887**	**246 579**
Residual value as of December 31, 2007	**187 820**	**38 381**	**10 605**	**5 094**	**573**	**10 507**	**252 980**

Information on pledged property, plant and equipment as at 31 December 2009 is detailed in *Notes 32,35.*

21 Construction in progress

At the year end, construction in progress included equipment in the amount of USD 10 507 thousand (RUR 317 765 thousand), which had not been commissioned as at 31.12.2009.

The above construction in progress items will be commissioned in near future – in 2010.

The following items of construction in progress have been stated as at the yearend:

	Note	as of December 31, 2009 '000 USD	as of December 31, 2009 '000 RUR
Construction-in-Progress Objects			
Advances to purchase and increase the value of property, plant and equipment		10 450	316 049
Office renovation		18	547
Conveyor belt 500		10	292
Gallery assembled with drum, rollers and engine		7	220
Magnetic separator		4	123
Belt conveyor		3	102
Rollers assembled with drum and engine		3	98
Grain cleaning section (Rebrikha)		3	88
Elevator aspiration system (Rebrikha)		3	79
Aspiration duct in elevator pit		2	71
Grinding mill (Rebrikha)		1	31
Semiautomatic packing machine 10 kg.(sugar)		1	23
Video control system		1	21
Sugar small packing section (Rebrikha)		1	21
Total:		**10 507**	**317 765**

22 Biological assets

Biological assets recorded at fair value as of December 31, 2009 are presented below:

	Note	Horses	Cattle (cows, bulls)	Sheep, lambs	Total
		'000 RUR	'000 RUR	'000 RUR	'000 RUR
Fair value as of 31.12.2007		-	-	-	-
Acquisition of subsidiaries		180	2 969	113	**3 262**
Fir value variations		-	262	289	**551**
Fair value as of 31.12.2008		**180**	**3 231**	**402**	**3 813**
Change in fair value due to:					
Animal yield		27	71	8	**106**
Increase in weight		48	821	13	**882**
Sale		-	(504)	(42)	**(42)**
Slaughter		-	(110)	(17)	**(521)**
Murrain			-	(32)	**(141)**
Fair value as of 31.12.2009		**255**	**3 509**	**333**	**4 097**

	Note	Horses	Cattle (cows, bulls)	Sheep, lambs	Total
		'000 USD	'000 USD	'000 USD	'000 USD
Fair value as of 31.12.2007		-	-	-	-
Acquisition of subsidiaries		7	119	5	**3 262**
Fir value variations		-	11	12	**551**
Currency translation effect		(1)	(20)	(2)	**(24)**
Fair value as of 31.12.2008		**6**	**110**	**14**	**130**
Change in fair value due to:					
Animal yield		1	2	-	**3**
Increase in weight		2	26	-	**28**
Sale		-	-	(1)	**(1)**
Slaughter		-	(16)	(1)	**(17)**
Murrain		-	(3)	(1)	**(4)**
Currency translation effect		(1)	(3)	-	**(4)**
Fair value as of 31.12.2009		**8**	**116**	**11**	**135**

23 Non-current investments

Group's investments to the equity of associated, related and third parties are presented in table below:

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Non-current investments					
Non-current investments in shares and equity – related parties	**41**	-	195	-	5 720
Non-current investments in shares and equity – third parties		-	-	-	1
Total:		**-**	**195**	**-**	**5 721**

24 Non-current and current loans (receivable)

Non-current and current loans issued to the related and third parties, as at the end of the reporting year and the previous year, are shown in table below:

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Non-current loans					
Non-current loans - related parties	**41**	145	187	4 380	5 487
Non-current loans – third parties		168	253	5 094	7 423
Non-current loans – third parties - general allowance		(2)	-	(76)	-
		311	**439**	**9 398**	**12 910**
Current loans					
Current loans - related parties	**41**	1 245	3 631	37 646	106 664
Current loans – third parties		266	244	8 059	7 163
Current loans – third parties – provision for bad debts		-	(3)	-	(76)
Total:		**1 511**	**3 872**	**45 705**	**113 751**

Current loans are unsecured.

In the opinion of the Group management, the present value of loans matches their fair value.

25 Other non-current assets

Other non-current assets include as follows:

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Other non-current assets					
Non-current prepaid expenses - related parties	**41**	-	2 046	-	60 100
Other non-current trade and other receivables - related parties	**41**	1 267	1 858	38 293	54 592
Other long-term receivables – third parties		3	6	104	181
Total:		**1 270**	**3 911**	**38 397**	**114 873**

Other long-term accounts receivable in the amount of 38 397 thousand Russian rubles report discounted debt of the related party (T.I. Krestyannikova.) under the agreement of sale of a share in LLC Invest-Transit No b/n of 29.08.2008. The total amount of debt under the agreement is 72 800 thousand Russian rubles, the due term under the schedule of payments is 13 years, effective interest rate is 10,5%, current portion of the debt is reported in "Other Current Assets" in the amount of 5 600 thousand Russian rubles.

26 Inventories

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Inventories					
Raw materials		4 053	5 216	122 545	153 219
Packing		721	963	21 796	28 290
Implements & household equipments		224	257	6 765	7 553
Production in process		1 410	1 484	42 657	43 589
Finished products and goods for resale		4 538	4 058	137 275	119 218
Inventories – provision for slow-moving raw material		(36)	(383)	(1 072)	(11 257)
Total:		**10 910**	**11 593**	**329 966**	**340 612**

27 Trade and other receivables

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Trade receivables					
Trade receivables - related parties	**41**	1 026	665	31 021	19 537
Trade receivables – third parties		9 033	8 410	273 201	247 083
Trade receivables – related parties - bad debt reserve	**41**	(14)	(278)	(421)	(8 168)
Trade receivables – third parties – provision for bad debts		(478)	(1 615)	(14 465)	(47 440)
Prepayments to suppliers					
Prepayments to suppliers - related parties	**41**	169	213	5 126	6 265
Prepayments to suppliers – third parties		2 226	9 191	67 335	270 042
Prepayments to suppliers – third parties - provision for bad debts		(56)	(6)	(1 704)	(165)
Other receivables					
Other current receivables - related parties	**41**	2 053	1 246	62 091	36 599
Other current receivables – third parties		11 378	13 246	344 100	389 163
Other current receivables – related parties - provision for bad debts		(166)	-	(5 034)	-
Other current receivables – third parties - provision for bad debts		(1 830)	(203)	(55 347)	(5 951)
Total:		**23 341**	**30 869**	**705 903**	**906 965**

28 Deferred expenses

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Deferred expenses					
Prepaid subscription		-	-	6	-
Prepaid insurance		31	61	925	1 796
Other deferred and prepaid expenses		7	-	216	-
Total:		**38**	**61**	**1 147**	**1 796**

29 Other current assets

Other current assets include as follows:

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Other current assets					
Recoverable current taxes		97	45	2 948	1 328
Income tax recoverable		430	6	13 012	184
Recoverable VAT		411	1 532	12 416	45 010
Current part of long-term receivables - related parties	**41**	185	132	5 600	3 881
Current portion of non-current trade and other receivables – third parties		-	3	-	101
Interest receivable - related parties	**41**	218	447	6 597	13 145
Interest receivable - third parties		57	24	1 719	708
Short-term notes receivable		155	-	4 692	-
Other current assets		-	1	-	23
Total:		**1 553**	**2 191**	**46 984**	**64 380**

30 Cash and cash equivalents

Cash balances as at the yearend are presented in table below:

	Notes	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Cash and cash equivalents					
Cash on hand		20	13	611	384
Cash in banks		865	785	26 151	23 074
Cash deposits		2	-	64	-
Total:		**887**	**798**	**26 826**	**23 458**

There were no restrictions as to the use of cash by the Group as of 31 December 2009. The data on cash flow for the reporting period ended 31.12.2009 (*straight-line method applied*), classified by operating, investment and financial activity are represented in the Consolidated Cash Flow Statement.

31 Issued capital

(a) Equity capital

Issued capital of the Company as at 31.12.2009 is RUR 89,421.05.

31 Issued capital (continued)

Issued capital of the Company includes 88,421,053 ordinary registered shares of par value RUR 0.001 and 1,000,000 preference registered shares (A type) of par value RUR 0.001.
100% of issued capital and share premium are paid by the Company.

The total par value of ordinary shares: RUR 88,421.05.
Percentage of ordinary registered shares in the issued capital: 98.88%
The total par value of preference shares: RUR 1000.
Percentage of preference registered shares in issued capital: 1.12%

Preference shares cannot be converted to ordinary shares or repurchased, however, dividends are paid on those shares amounting to 10% of the net profit calculated under the Russian standards on accounting. The dividends are calculated on a quarterly basis as divided to equal portions. In case of dissolution, holders of preference shares are the first to be granted declared outstanding dividends and par value of the preference shares (“liquidation value”). Then all shareholders (both holding ordinary and preference shares) are equally admitted to distribution of outstanding assets.

(b) General meeting of shareholders

The general meeting of shareholders is the Company’s superior body of administration. The Company conducts the General Meeting of the shareholders annually.

The authority of the General Meeting of Shareholders covers the following matters, which are beyond the authority of the Board of Directors, General Director or the Management of the Company:

- ❖ Changes and amendments to the Charter or approval of amended version of the company’s Charter;
- ❖ Reorganization of the Company;
- ❖ Liquidation of the Company, appointment of a liquidation committee and approval of an interim final liquidation balance sheet;
- ❖ Election of the Board of Directors and determination of quantitative composition of the Board of Directors;

- ❖ Determination of quantity, denomination, category (type) of authorized stock and rights such shares provide;
- ❖ Increasing the Company’s authorized capital by increasing the par value of shares;
- ❖ Decreasing of authorized capital by decreasing of the par value of shares, acquisition of part of the shares by the company to decrease their total amount and also by the redemption of the shares acquired or bought out by the company.
- ❖ Election of the Inspector of the Company and early termination of his powers;
- ❖ Approval of the Company’s auditor;
- ❖ Approval of annual reports, annual financial statements, including the Company’s income statements, and allocation of profits, including payment (declaration) of dividends, and the Company’s losses for the financial year;

(All amounts in tables below are denominated in thousand of US dollars and Russian rubles)

31 Issued capital (continued)

- Determination of procedure of the General Meeting of Shareholders;
- Election of the Check-Up Committee and early termination of powers of its members;
- Splitting and consolidation of shares;
- Making decisions on approval of transactions being of interest in cases provided by the Charter;
- Making decisions on approval of major transactions in cases provided by the Charter;

(c) Dividends

Once a year, the Company is entitled to make decision on (declare) payment of dividends on outstanding shares. The Company is entitled to pay the declared dividends. Dividends are paid in cash or other property of the Company. Dividends are paid from the net income of the Company for the current year, calculated in compliance with the Russian accounting principles. Dividends on the privileged shares can be paid from the specially created funds of the Company. The decision of payment of annual dividends, the amount and type of payment is made by the General Meeting of Shareholders. The annual dividend cannot be more than the interim dividends. The Company is not allowed to make a decision of payment of dividends in the cases, stated by the federal law "On Joint-Stock Companies".

The date of annual dividends payment is not later than 60 days from the moment of the payment decision (dividends declaration).
As at the end of reporting period, the announced dividends for 2009 amounted to 1 527 thousand rubles (48 thousand USD) and had not been paid.

(d) Bought out treasury shares

Treasury shares, bought out from shareholders, are reflected as decrease of the share capital in the amount of the sum paid, including expenses, directly attributable to the operation.

As of 31 December 2009 and 2008 the Company did not have ordinary shares, bought out from shareholders, in ownership.

(e) List of shareholders

The list of main shareholders of "PAVA" JSC and their interest share in the authorized capital as of 31 December 2009 and 31 December 2008 is represented below:

	Share of ownership or participation as at 31 December 2009	Share of ownership or participation as at 31 December 2008
Igoshin Pavel Serafimovich	-%	45,0%
Igoshin Andrey Pavlovich	44,4%	44,4%
Balayenkova Galina Pavlovna	27,0%	-%
Igoshina Irina Mikhailovna	18,0%	-%
Other shareholders	10,6%	10,6%

32 Long-term loans and credits payable

(a) Long-term loans and borrowings payable as of 31 December 2009

As at 31.12.2009 the Group obtained long-term borrowings and loans from the following companies and banks:

	Currency	Credit balance As of December 31, 2009		Interest rate	Issue date	Maturity date	Pledge type	Pledger	Pledge cost
		'000 USD	'000 RUR	%					'000 USD
Long-term loans and borrowings payable – third parties									
Long-term loans									
Rubtsovskoye Branch of the Sberbank № 270	*RUR*	*9 853*	*298 000*	*18,00%*	*09.09.2009*	*05.09.2014*	*Property, plant and equipment*	*"PAVA" JSC,* CJSC «Chemrovsk», *"Greinvest" OJSC*	*9 191*
Amsterdam Commercial Bank	*USD*	*7 020*	*212 314*	*9,80%*	*26.06.2008*	*11.04.2011*	*Property, plant and equipment*	*"Pava" OJSC*	*1 420*
"Rosselkhozbank" OJSC	*RUR*	*1 360*	*41 118*	*16,00%*	*19.06.2008*	*19.04.2013*	*Property, plant and equipment*	*Selkhozholding LLC*	*1 251*
Sberbank branch № 153	*RUR*	*241*	*7 280*	*20,00*	*31.07.2009*	*29.07.2016*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*309*
Сбербанк №176	*RUR*	*237*	*7 175*	*19,00%*	*31.07.2009*	*31.01.2014*	*Property, plant and equipment*	*"Allak" LLC*	*274*
Bond loan	*RUR*	*133*	*4 011*	*12,5%*	*16.11.2006*	*16.11.2011*	*Guarantee*	*"Kompaniya "Agropromresursy" OJSC*	*133*
"Rosselkhozbank" OJSC	*RUR*	*23*	*685*	*17,00%*	*19.06.2008*	*19.04.2013*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*51*
Sberbank branch № 153	*RUR*	*14*	*422*	*14,25%*	*29.04.2008*	*25.03.2011*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*175*
Perova O.N.	*RUR*	*3*	*99*	*17,00%*	*19.01.2007*	*17.01.2012*	*Without security*	-	-
Suvalova T.I.	*RUR*	*3*	*99*	*17,00%*	*19.01.2007*	*17.01.2012*	*Without security*	-	-
Total:		**18 887**	**571 203**						**12 804**

32 Long-term loans and credits payable (continued)

(b) Long-term loans and borrowings payable as of 31 December 2008

As at 31.12.2008 the Group obtained long-term borrowings and loans from the following companies and banks:

	Currency	Credit balance As of December 31, 2008		Interest rate	Issue date	Maturity date	Pledge type	Pledger	Pledge cost
		'000 USD	'000 RUR	%					'000 USD
Long-term loans and borrowings payable – third parties									
Long-term loans									
Bond loan	*RUR*	*12 802*	*376 126*	*12,5%*	*16.11.2006*	*16.11.2011*	*Guarantee*	*"Kompaniya "Agropromresursy" OJSC*	*37 978*
Amsterdam Commercial Bank	*USD*	*7 020*	*206 251*	*9,80%*	*26.06.2008*	*11.04.2011*	*Property, plant and equipment*	*"Pava" OJSC*	*9 443*
"Rosselkhozbank" OJSC	*RUR*	*1 665*	*48 930*	*16,00%*	*19.06.2008*	*19.04.2013*	*Property, plant and equipment*	*"Selkhozholding" LLC*	*1 366*
"RSB" OJSC	*RUR*	*29*	*859*	*17,00%*	*14.08.2006*	*10.08.2011*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*134*
Sberbank branch № 153	*RUR*	*20*	*575*	*13,25%*	*29.04.2008*	*25.03.2011*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*298*
Perova O.N.	*RUR*	*5*	*133*	*17,00%*	*19.01.2007*	*17.01.2012*	*Without security*	-	-
Suvalova T.I.	*RUR*	*4*	*132*	*17,00%*	*19.01.2007*	*17.01.2012*	*Without security*	-	-
Other	*RUR*	-	*4*						-
Total:		**21 545**	**633 010**						**49 219**

32 Long-term loans and credits payable (continued)

In October 2006 "PAVA" JSC conducted the emission of interested nonconvertible bonds in the amount of 1 mln pieces, 1 thousand rubles/38 US dollars each with the total amount of 1000 000 thousand rubles/37 978 thousand of US dollars. The redemption date is 1800 day from the date of allocation.
State registration number of the securities issue: 4-02-10682-F. Part of bonds was acquired by a company of the group. For the purposes of preparation of consolidated financial statements intra group balances were excluded.
As a security for obligation loan OJSC "Companya "Agropromresursy" has given the purchasers of the bonds the guarantees in the amount of par value of bonds (1 000 000 thousand rubles or at the rate as of the reporting date - 37 978 thousand US dollars) and the aggregate coupon yield.

(c) Long-term loans and credits according to the redemption date

Long-term loans and credits according to the redemption date are represented in the table below:

	Note	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Long-term loan and credits according to the redemption date					
Before December 31, 2011		*7 167*	*19 871*	*216 747*	*583 811*
Before December 31, 2012		*6*	*9*	*198*	*269*
Before December 31, 2013		*1 382*	*1 665*	*41 803*	*48 930*
Before December 31, 2014		*10 090*	*-*	*305 175*	*-*
Before December 31, 2016		*241*	*-*	*7 280*	*-*
Total:		**18 886**	**21 545**	**571 203**	**633 010**

33 Other long-term liabilities

Other long-term liabilities include:

	Note	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Other long-term liabilities					
Finance lease liability (later than five years) - related parties		14	-	429	-
Long-term financial lease liabilities (after one year, but not before five years) – third parties		152	254	4 592	7 468
Other long-term payables –related parties	36	1 322	1 590	39 985	46 729
Total:		**1 488**	**1 845**	**45 006**	**54 197**

33 Other long-term liabilities (continued)

Other long-term liabilities in the amount of 39 985 thousand Russian rubles include discounted debt of the Group payable to CJSC Pava for the purchase of a share in the charter capital of LLC Transit-Invest. The total amount of debt under the agreement is 72 600 thousand Russian rubles. Due term under the schedule of payments is 13 years. Effective interest rate is 10,6%.,current portion of liabilities is reported in "Other Current Liabilities" in the amount of 4000 thousand Russian rubles.

34 Accounts Payable

	Note	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Accounts payable					
Trade accounts payable – related parties	**36**	375	402	11 332	11 824
Trade accounts payable – third parties		11 156	10 800	337 393	317 307
Advances received – third parties		1 509	3 139	45 643	92 249
Other current accounts payable – related parties	**36**	17 400	29 547	526 236	868 110
Other current accounts payable – third parties		79	929	2 391	27 306
Total:		**30 518**	**44 817**	**922 995**	**1 316 796**

35 Short-term borrowings payable

As of 31.12.2009 the Group has acquired short-term borrowings from the following banks and related parties:

(a) Short-term borrowings as of December 31, 2009

	Currency	Credit balance As of December 31, 2009		Interest rate	Issue date	Maturity date	Pledge type	Pledger	Pledge cost
		'000 USD	'000 RUR	%					'000 USD
Short-term loans and borrowings payable – related parties		***1***	***24***						
Other	*RUR*	*1*	*24*	-	-	-	Without security	-	-
Short-term loans and borrowings payable – third parties		***19 865***	***600 803***						
Novosibirsk branch of OJSC AKB Bank of Moscow	*RUR*	*8 266*	*250 000*	*15,00%*	*07.10.2009*	*07.10.2010*	*Property, plant and equipment* *Property, plant and equipment*	*"Pava" OJSC* *"Greinvest" JSC*	*3 381*
Barnaul branch of OJSC Gazprombank	*RUR*	*4 133*	*125 000*	*15,00%*	*07.05.2009*	*04.05.2010*	*Property, plant and equipment*	*"Pava" OJSC*	*676*
Rubtsovsk Sberbank branch № 270	*RUR*	*2 414*	*73 000*	*15,00%*	*13.11.2009*	*12.05.2010*	*Property, plant and equipment*	*"PAVA" JSC,* CJSC «Chemrovsk»	*2 827*
Rubtsovsk Sberbank branch № 270	*RUR*	*1 653*	*50 000*	*17,00%*	*24.03.2009*	*23.03.2010*	*Property, plant and equipment* *Pledge of the related party*	*"Selkhozholding" LLC* "Invest-Tranzit" LLC	*2 930*
Rubtsovsk Sberbank branch № 270	*RUR*	*1 233*	*37 291*	*8,75%*	*29.04.2009*	*19.04.2010*	*Inventories* *Property, plant and equipment*	*"Pava" OJSC* *"Pankrushinskoye HPP" LLC*	*2 847*

35 Short-term borrowings payable (continued)

	Currency	Credit balance As of December 31, 2009		Interest rate	Issue date	Maturity date	Pledge type	Pledger	Pledge cost
		'000 USD	'000 RUR	%					'000 USD
Rubtsovsk Sberbank branch № 270	*RUR*	*1 078*	*32 603*	*8,75%*	*20.04.2009*	*19.04.2010*	*Pledge of the related party Property, plant and equipment*	"Invest-Tranzit" LLC *"Pankrushinskoye HPP" LLC*	*1 564*
Rubtsovsk Sberbank branch № 270	*RUR*	*595*	*18 000*	*17,00%*	*22.01.2009*	*21.01.2010*	*Property, plant and equipment*	*"Greinvest" JSC*	*498*
Altaysky bank of the Savings Bank of the Russian Federation	*RUR*	*292*	*8 834*	*13,00%*	*16.12.2009*	*14.01.2010*	*Guarantee*	*"Pava" OJSC*	*1 157*
Sberbank branch № 153	*RUR*	*99*	*3 000*	*18,00%*	*23.04.2009*	*29.04.2010*	*Property, plant and equipment*	*"Agrofirma "Niva" LLC*	*348*
Sberbank branch № 176	*RUR*	*60*	*1 815*	*17,%*	*16.06.2009*	*10.06.2010*	*Property, plant and equipment*	*"Allak" LLC*	*74*
Mikhaylovsky Agrokhimsnab CJSC	*RUR*	*34*	*1 017*	*0,00%*	*26.11.2004*	*31.12.2010*	Without security	-	-
Other		*8*	*243*						
Итого:		**19 866**	**600 827**						**16 302**

35 Short-term borrowings payable (continued)

As of 31.12.2008 the Group has acquired short-term borrowings from the following banks and related parties:

(b) *Short-term borrowings as of December 31, 2008*

	Currency	Credit balance As of December 31, 2008		Interest rate	Issue date	Maturity date	Pledge type	Pledger	Pledge cost
		‘000 USD	‘000 RUR	%					‘000 USD
Short-term loans and borrowings payable – related parties		***36***	***1 032***						
Mikhaylovsky Agrokhimsnab CJSC	RUR	35	1 017	0,00%	26.11.2004	31.12.2008	Without security	-	-
Other	RUR	1	16						
Short-term loans and borrowings payable – third parties		***14 619***	***429 486***						
Rubtsovsk Sberbank branch № 270	RUR	8 508	249 973	14,00%	23.09.2008	21.09.2009	*Property, plant and equipment*	*“Greinvest” OJSC*	9 008
“Bank of Moscow” JSCB (OJSC) Novosibirsk branch	RUR	3 108	91 320	10,50% - 17,00%	11.11.2008	03.03.2010	*Property, plant and equipment*	“Pava" OJSC	3 712
JSC VTB Barnaul branch	RUR	1 340	39 366	11,50% - 15,00%	15.08.2008	10.09.2009	*Without security*	-	-
OJSC VTB Bank	RUR	681	20 000	16,00%	30.06.2008	30.06.2009	*Guarantee*	“Pava" OJSC	-
CB “BNP Pariba VostoK”LLC	USD	666	19 574	5,13%	30.04.2008	24.04.2009	*Property, plant and equipment*	“Pava" OJSC	3 057
SPKK Perspektiva	RUR	157	4 603	11,00%	04.07.2008	31.12.2008	*Without security*	-	-
Sberbank branch № 153	RUR	91	2 668	13,50%	29.02.2008	25.02.2009	*Without security*	-	-
Sberbank branch № 176	RUR	34	1000	13,50%	23.04.2008	24.04.2009	*Property, plant and equipment*	“Allak” LLC	68
Other	RUR	33	982						
Total:		**14 654**	**430 518**						**15 845**

36 Other short-term liabilities

Other short-term liabilities include:

	Note	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Other short-term liabilities					
Short-term unsecured notes payable – related parties		2 877	-	87 000	-
Salary and wages payable		304	330	9 202	9 713
Current maturities of long-term other debts – related parties		132	-	4 000	-
Current part of long-term financial lease liabilities – third parties		120	127	3 624	3 759
Accumulated interests payable –third parties		13	589	362	17 276
Other		-	-	11	-
Total:		**3 446**	**1 046**	**104 199**	**30 748**

37 Provisions for liabilities and charges

	Прим.	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Provisions for liabilities and charges					
Provisions for vacations		315	234	9 540	6 889
Total:		**315**	**234**	**9 540**	**6 889**

38 Taxes and social security payable

Taxes and social security payable include:

	Note	As of 31 December 2009 '000 USD	As of 31 December 2008 '000 USD	As of 31 December 2009 '000 RUR	As of 31 December 2008 '000 RUR
Taxes and social security payable					
VAT payable		601	749	18 186	22 014
Income tax payable		40	61	1 203	1 778
Social tax payable		112	91	3 393	2 666
Property tax payable		105	65	3 161	1 909
Natural person income tax payable		82	52	2 505	1 521
Other taxes payable		18	17	529	482
Total:		**958**	**1 035**	**28 977**	**30 370**

39 Government grants

	Note	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2009 '000 USD
Received for the year		6 593	208
Reported in the income statement			
including:		(6 593)	(208)
decrease in finance expense		(5 356)	
decrease in other expense		(1 237)	

In 2009, the Group received government grants for interest payments on short-term loans, harvest insurance and material costs.

As at 31.12.2009 interest on grants is not recovered in full. The amount of non-recovered interest on grants is 4 240 thousand Russian rubles. The Group reserves the right to recover the debt until August 2010.

40 Segment analysis

Information concerning operational segments of the Group's activity is represented in tables below.

(a) *Operational segments for the year 2009*

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Segment revenue							
including sales revenue net of VAT to the group's companies	222 777	31 144	45 047	18 632	17 288	**334 888**	222 777
Profit except intra-group turnover	3 403 218	865 322	94 520	67 308	-	**4 430 368**	3 403 218
Total segment revenue	**3 625 995**	**896 466**	**139 567**	**85 490**	**17 288**	**4 765 256**	**3 625 995**
Cost of segments							
including cost of intra-group transactions	(213 449)	(31 144)	(45 047)	(18 632)	(15 521)	**323 793**	(213 449)
Cost except intra-group turnover	(2 879 796)	(847 923)	(89 970)	(57 271)	-	**3 874 960**	(2 879 796)
Total segment cost	**(3 093 244)**	**(879 067)**	**(135 017)**	**(75 904)**	**(15 521)**	**(4 198 753)**	**(3 093 244)**
General, administrative and commercial expenses	(497 576)	(21 373)	(30 623)	(25 086)	(3 488)	**(578 146)**	(497 576)
Other operating income	20 626	-	8 714	3 397	-	**32 737**	20 626
Other operating expense	(5 104)	108	(3 350)	835	-	**(7 511)**	(5 104)
Excess of Group's share in fair value of net identifiable assets over purchase cost	77 279	-	-	-	-	**77 279**	77 279
Operating profit	**118 647**	**(3 866)**	**(20 709)**	**(10 817)**	**(3 488)**	**79 767**	**118 647**
Finance income	119 923	35	12	5	197	**120 172**	119 923
Finance expenses	(180 176)	(87)	(8 833)	(134)	-	**(189 230)**	(180 176)
Income tax expenses	5 189	508	6 103	1 226	142	**13 168**	5 189
Net Profit on continuing operations over the period	**53 583**	**(3 410)**	**(23 427)**	**(9 270)**	**(3 149)**	**23 877**	**53 583**
Depreciation	(44 133)	(7 960)	(38 594)	(13 190)	(15 521)	**(119 398)**	(44 133)
Expenses/(decrease of expenses) for formation of provision for doubtful receivables	(13 933)	-	(100)	490	**-**	**13 543**	(13 933)

40 Segment analysis (continued)

a) Operational segments for the year 2009(continued)

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Segment revenue							
including sales revenue net of VAT to the group's companies	7 023	982	1 420	587	545	**10 557**	**16 831**
Profit except intra-group turnover	107 279	27 277	2 980	2 122	-	**139 657**	**160 893**
Total segment revenue	**114 301**	**28 259**	**4 400**	**2 709**	**545**	**150 214**	**177 724**
Cost of segments							
including cost of intra-group transactions	(6 728)	(982)	(1 420)	(587)	(489)	**(10 207)**	**(16 127)**
Cost except intra-group turnover	(90 779)	(26 729)	(2 836)	(1 805)	-	**(122 149)**	**(124 076)**
Total segment cost	**(97 508)**	**(27 711)**	**(4 256)**	**(2 393)**	**(489)**	**(132 356)**	**(140 203)**
General, administrative and commercial expenses	(15 685)	(674)	(965)	(791)	(110)	**(18 225)**	**(33 123)**
Other operating income	650	-	275	107	-	**1 032**	**2 440**
Other operating expense	(161)	3	(106)	26	-	**(237)**	**(3 620)**
Excess of Group's share in fair value of net identifiable assets over purchase cost	2 436	-	-	-	-	**2 436**	**3 578**
Operating profit	**3 740**	**(122)**	**(653)**	**(341)**	**(110)**	**2 514**	**6 092**
Finance income	3 780	1	-	-	6	**3 788**	**185**
Finance expenses	(5 680)	(3)	(278)	(4)	-	**(5 965)**	**(5 423)**
Income tax expenses	164	16	192	39	4	**415**	**61**
Net Profit on continuing operations over the period	**2 004**	**(107)**	**(738)**	**(307)**	**(99)**	**753**	**915**
Depreciation	(1 391)	(251)	(1 217)	(416)	(489)	**(3 764)**	**(3 492)**
Expenses/(decrease of expenses) for formation of provision for doubtful receivables	(439)	-	(3)	15	-	**(427)**	**180**

40 Segment analysis (continued)

a) Operational segments for the year 2009(continued)

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR
Assets	**2 880 905**	**185 021**	**6 179 170**	**679 305**	**397 815**	**10 322 216**	**9 704 612**
Attributable to PP&E	746 574	159 788	6 034 069	119 973	273 033	**7 333 437**	**7 218 527**
Intra-group assets	**639 237**	**1 868**	**46 744**	**510 830**	**123 020**	**1 321 699**	**779 304**
Assets except intra-group assets	**2 241 668**	**183 153**	**6 132 426**	**168 475**	**274 795**	**9 000 517**	**8 925 309**
Liabilities	**1 899 192**	**62 988**	**1 770 926**	**584 221**	**161 737**	**4 479 064**	**4 121 206**
Intra-group liabilities	261 110	17 646	201 403	364 474	102 147	**946 780**	**453 744**
Liabilities except intra-group liabilities	**1 638 083**	**45 342**	**1 569 523**	**219 746**	**59 590**	**3 532 284**	**3 667 462**

40 Segment analysis (continued)

a) *Operational segments for the year 2009(continued)*

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Assets	**95 255**	**6 118**	**204 309**	**22 461**	**13 153**	**341 296**	**95 255**
Attributable to PP&E	24 685	5 283	199 512	3 967	9 028	**242 474**	24 685
Intra-group assets	**21 136**	**62**	**1 546**	**16 890**	**4 068**	**43 701**	**21 136**
Assets except intra-group assets	**74 119**	**6 056**	**202 764**	**5 570**	**9 086**	**297 595**	**74 119**
Liabilities	**62 795**	**2 083**	**58 554**	**19 317**	**5 348**	**148 097**	**62 795**
Intra-group liabilities	8 633	583	6 659	12 051	3 377	**31 305**	8 633
Liabilities except intra-group liabilities	**54 162**	**1 499**	**51 895**	**7 266**	**1 970**	**116 792**	**54 162**

40 Segment analysis (continued)

(b) Operational segments for the year 2008

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Segment revenue							
including sales revenue net of VAT to the group's companies	355 347	48 012	12 793	-	-	2 113	**418 465**
Profit except intra-group turnover	3 582 106	24 845	13 808	44 648	334 764	2 113	**4 000 171**
Total segment revenue	**3 937 453**	**73 057**	**26 601**	**44 648**	**334 764**	**-**	**4 418 636**
Cost of segments							
including cost of intra-group transactions	(345 995)	(43 406)	(11 249)	-	(306)		**(400 956)**
Cost except intra-group turnover	(2 713 151)	(27 282)	(12 815)	(44 433)	(287 440)	-	**(3 084 815)**
Total segment cost	**(3 059 146)**	**(70 688)**	**(24 064)**	**(44 433)**	**(287 440)**		**(3 485 771)**
General, administrative and commercial expenses	(709 891)	(46 247)	(21 973)	(16 584)	(28 280)	-	**(823 514)**
Other operating income	48 988	10 503	1 157	-	-	-	**60 647**
Other operating expense	(80 722)	(2 545)	(2 001)	(37)	-	(4 705)	**(90 009)**
Excess of Group's share in fair value of net identifiable assets over purchase cost	9 805	58 062	21 086	-	-	-	**88 951**
Operating profit	**137 135**	**17 336**	**(739)**	**(16 406)**	**18 810**	**(4 705)**	**151 431**
Finance income	4 577	7	5	-	-	-	**4 588**
Finance expenses	(130 267)	(4 555)	-	-	-	-	**(134 822)**
Income tax expenses	42 881	16 430	6 341	8 840	(35 471)	(37 498)	**1 522**
Net Profit on continuing operations over the period	**54 325**	**29 218**	**5 606**	**(7 566)**	**(16 661)**	**(42 203)**	**22 719**
Depreciation	(48 035)	(24 829)	(6 450)	(7 503)	-		**(86 816)**
Expenses/(decrease of expenses) for formation of provision for doubtful receivables	(506)	1 634	3 349	**-**	**-**	**-**	**4 477**

40 Segment analysis (continued)

(b) Operating segments for 2008 (continued)

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Segment revenue							
including sales revenue net of VAT to the group's companies	14 293	1 939	515	-	-	85	**16 831**
Profit except intra-group turnover	144 078	999	555	1 796	13 465	-	**160 893**
Total segment revenue	**158 370**	**2 938**	**1 070**	**1 796**	**13 465**	**85**	**177 724**
Cost of segments							
including cost of intra-group transactions	(13 916)	(1 746)	(452)	-	(12)		**(16 127)**
Cost except intra-group turnover	(109 127)	(1 097)	(515)	(1 787)	(11 549)	-	**(124 076)**
Total segment cost	**(123 044)**	**(2 843)**	**(968)**	**(1 787)**	**(11 561)**		**(140 203)**
General, administrative and commercial expenses	(28 553)	(1 860)	(884)	(667)	(1 159)	-	**(33 123)**
Other operating income	1 970	422	48	-	-	-	**2 440**
Other operating expense	(3 247)	(102)	(81)	(1)	-	(189)	**(3 620)**
Excess of Group's share in fair value of net identifiable assets over purchase cost	394	2 335	848	-	-	-	**3 578**
Operating profit	**5 516**	**697**	**(29)**	**(660)**	**757**	**(189)**	**6 092**
Finance income	185	-	-	-	-	-	**185**
Finance expenses	(5 240)	(183)	-	-	-	-	**(5 423)**
Income tax expenses	1 725	661	255	356	(1 427)	(1 508)	**61**
Net Profit on continuing operations over the period	**2 185**	**1 175**	**226**	**(304)**	**(670)**	**(1 697)**	**915**
Depreciation	(1 932)	(999)	(259)	(302)	-		**(3 492)**
Expenses/(decrease of expenses) for formation of provision for doubtful receivables	(20)	66	135	**-**	**-**	**-**	**180**

40 Segment analysis (continued)

(b) Operating segments for 2008 (continued)

	Processing and wholesale of crop products	Cultivation and wholesale of crop products	Services of grain storage, motor transport services, loading and unloading services and other	Pastry production	Food wholesale	Other	Total
	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR	‘000 RUR
Assets	**2 684 660**	**6 313 991**	**394 145**	**-**	**22 743**	**289 074**	**9 704 612**
Attributable to PP&E	742 739	6 079 900	110 469	-	-	285 419	**7 218 527**
Intra-group assets	**469 777**	**61 808**	**245 266**	-	**-**	**2 493**	**779 304**
Assets except intra-group assets	**2 214 883**	**6 252 183**	**148 919**	**-**	**22 743**	**286 581**	**8 925 309**
Liabilities	**1 740 547**	**2 070 144**	**290 609**	**-**	**19 482**	**425**	**4 121 206**
Intra-group liabilities	78 985	236 627	119 933	**-**	17 836	364	**453 744**
Liabilities except intra-group liabilities	**1 661 562**	**1 833 517**	**170 676**	**-**	**1 646**	**61**	**3 667 462**

40 Segment analysis (continued)

(b) Operating segments for 2008 (continued)

	Processing and wholesale of crop products '000 USD	Cultivation and wholesale of crop products '000 USD	Services of grain storage, motor transport services, loading and unloading services and other '000 USD	Pastry production '000 USD	Food wholesale '000 USD	Other '000 USD	Total '000 USD
Assets	**91 376**	**214 905**	**13 415**	**-**	**774**	**9 839**	**330 309**
Attributable to PP&E	25 280	206 937	3 760	-	-	9 715	**245 892**
Intra-group assets	**15 989**	**2 104**	**8 347**	-	**-**	**85**	**26 525**
Assets except intra-group assets	**75 386**	**212 801**	**5 069**	**-**	**774**	**9 754**	**303 784**
Liabilities	**59 242**	**70 460**	**9 891**	**-**	**663**	**14**	**140 271**
Intra-group liabilities	2 688	8 054	4 082	**-**	607	12	**15 444**
Liabilities except intra-group liabilities	**56 553**	**62 406**	**5 809**	**-**	**56**	**2**	**124 827**

41 Disclosure of transactions with related parties

The list of main related parties of the Group is in the table below.

	Description / Activity	Country
Owners		
Igoshin A.P.		Russia
Balayenkova G.P.		Russia
Igoshina I.M.		Russia
Companies under common control		
"Altayagrostroy" CJSC	own immovable property lease;	Russia
"Mikhaylovsky Melkombinat" LLC	Intermediary services	Russia
"Chemrovskoye HPP" JSC	Agents' activity on wholesale of universal assortment of food products	Russia
"Group of companies "PAVA" JSC	Commercial activity and management consulting	Russia
"Kompaniya "Agropromresursy" OJSC	Management services	Russia
"Russky agrarny divizion" JSC	Consulting	Russia
"Yermak" LLC	Security business	Russia
"Kondor" LLC	Security business	Russia
"Promenergo" JSC	Production of steam and hot water (heating energy by boilers)	Russia
"Managing company "PAVA-Krasnoyarsk" JSC	Rent of lorry transport	Russia
"Altayagropromstroy" JSC	Business management of construction	Russia
"Agrofirma Energuiya" LLC	Agricultural products manufacture	Russia
"Invest-Tranzit" LLC	Parking	Russia
"Melnikovo" OJSC	Cultivation of grain and pulse crops	Russia
"Berkut" LLC	Security business	Russia
Significant influence		
Krestyannikova T.I.		Russia
Krestyannikov A.I.		Russia
Kalashnikov A.V.		Russia
Ananin A.V.		Russia
and other		Russia

41 Disclosure of transactions with related parties (continued)

Balance sheet item as of December 31, 2008 and December 31, 2007 formed as a result of related parties transactions are as follows:

	Прим.	**As of 31 December 2009**	**As of 31 December 2008**	**As of 31 December 2009**	**As of 31 December 2008**
		‘000 USD	‘000 USD	‘000 RUR	‘000 RUR
ASSETS					
Long-term assets					
Long-term investments		-	195	-	5 720
Long-term credits and loans		145	187	4 380	5 487
Other long-term assets		1 266	1 858	38 293	54 592
Total long-term assets		**1 411**	**2 240**	**42 673**	**65 799**
Short-term assets					
Accounts receivable		2 887	1 846	87 306	54 233
Short-term credits and loans		1 245	3 631	37 646	106 664
Other short-term assets		403	579	12 197	17 026
Total short-term assets		**4 535**	**6 056**	**137 149**	**177 923**
EQUITY AND LIABILITIES					
Equity					
Total equity			**-**		**-**
Long-term liabilities					
Other long-term payables		1 336	1 590	40 414	46 729
Total long-term liabilities		**1 336**	**1 590**	**40 414**	**46 729**
Short-term liabilities					
Accounts payable		17 907	29 949	541 568	879 934
Credits and loans payable, short-term part		1	36	24	1 032
Краткосрочные необеспеченные векселя к уплате		2 877	-	87 000	-
Total short-term liabilities		**20 785**	**29 985**	**628 592**	**880 966**

41 Disclosure of transactions with related parties (continued)

Income and expenditure items of Income Statements for 2009 and 2008 on related parties' transactions are presented below:

	Прим.	For the year ended 31 December 2009 '000 USD	For the year ended 31 December 2008 '000 USD	For the year ended 31 December 2009 '000 RUR	For the year ended 31 December 2008 '000 RUR
Net sales of goods, works and services		336	375	10 648	9 335
Cost of sales of goods, works and services		(293)	(290)	(9 313)	(7 199)
Other operating income		-	2	-	71
Other operating expense, including:		-			
Sale of inventories		-	(1)	(13)	(14)
Sale of Property, plant and equipment			(38)	-	(948)
Interest received		528	5	16 751	138
Interest paid		(424)	(22)	(13 461)	(539)

The below table contains information on the services delivered to the Group by the related parties for the corresponding reporting year:

	Прим.	As of 31 December 2009 '000 USD	As of 31 December 2009 '000 RUR
Types of Services			
Agent fee		-	5
Leasing services		12	386
Water supply services		2	53
Consulting services		118	3 730
Guarding services		278	8 829
Advertising services		67	2 130
Repair services		2	67
Heat supply services		11	334
Transport services		1 120	35 538
Management services		2	51
Energy supply services		9	281
Legal services		55	1 755
Total:		**1 676**	**53 159**

42 Wages and benefits

	Note	As of December 31, 2009 '000 USD	As of December 31, 2008 '000 USD	As of December 31, 2009 '000 RUR	As of December 31, 2008 '000 RUR
Salary		2 909	3 272	87 987	81 351
Payment for overtime work		77	27	2 329	671
Payment for night work		40	78	1 204	1 928
Payment for work on public holidays		52	80	1 577	1 986
Vacation pay		355	373	10 725	9 282
Compensation of unused annual leave		166	173	5 006	4 304
Region coefficient		664	554	20 093	13 770
Northern allowance		208	17	6 327	411
Sick pay		243	183	7 348	4 556
Bonuses		1 428	2 187	43 176	54 378
Material assistance		5	2 077	146	51 369
Other payments		507	386	15 325	9 609
Total:		**6 654**	**9 407**	**201 243**	**233 615**

43 Average number of employees

Average number of employees as of the end of the reported period is as follows:

Classification of personnel according to types of activity	Note	As of 31 December 2009 amount	As of 31 December 2008 amount
Basic production personnel			
Auxiliary production personnel		427	571
Service personnel		372	429
Commercial personnel		93	117
IT-personnel		134	123
Accounting & financial personnel		9	9
Administration and management personnel		97	96
General & non-production personnel		179	164
Other personnel		139	139
Total:		102	80
		1552	**1 724**

44 Directors' Remuneration

Directors' remuneration is paid to key management for their services and is made up of a contractual salary and a performance bonus depending on operating results.

	Note	As of December 31, 2009 '000 USD	As of December 31, 2008 '000 USD	As of December 31, 2009 '000 RUR	As of December 31, 2008 '000 RUR
All types of remuneration that constitutes salary fund, including					
Salary		198	404	6 286	10 036
Bonuses		73	166	2 302	4 120
Annual vacation pay		13	26	407	634
Compensation of unused annual leave		15	10	480	255
Sick pay		3	3	98	65
Other accruals		60	82	1 898	2 031
Total:		**362**	**691**	**11 471**	**17 141**

45 Finance lease

As of 2006-2009, the Group has concluded agreements and secured finance lease of industrial machines and equipment (grain combine, tractor, truck, rail motor car, elevator etc)

The main lessors of the Group in the years 2006 and 2007 were the following companies:

- LLC «Sibsocbank»
- OOO «Transleasing»
- OAO «Altayagropromsnab»
- LLC "SSB-Lizing"
- LLC "Krayevaya lizingovaya kompaniya"
- OOO «Daler»

Fair value of leased properties as of December 31, 2009 is 22 228 thousand rubles

45 Finance lease (continued)

Group of assets	Прим.	As of December 31, 2009 '000 USD	As of December 31, 2008 '000 USD	As of December 31, 2009 '000 RUR	As of December 31, 2008 '000 RUR
Machinery and equipment – cost value		139	143	4 206	4 206
Machinery and equipment – accumulated amortization		(16)	(5)	(471)	(157)
Machinery and equipment – book value		**124**	**138**	**3 735**	**4 049**
Transport – cost value		695	673	21 007	19 761
Transport – accumulated amortization		(83)	(27)	(2 514)	(803)
Transport – book value		**611**	**646**	**18 493**	**18 958**
Total:		**735**	**784**	**22 228**	**23 007**

Weighted average effective interest rate on lease contracts, signed by the Group with the main lessors is 7,34%.

Finance lease liabilities of the Group on lease contracts is represented in other long-term and short-term liabilities in lines *«Finance lease long-term liabilities »* and *«Current part of finance lease liabilities»*.

	As of 31 December 2009 Future minimal lease payments '000 RUR	As of 31 December 2008 Future minimal lease payments '000 RUR	As of 31 December 2009 Future minimal lease payments '000 RUR	As of 31 December 2008 Future minimal lease payments '000 RUR
Future minimal lease payments				
maximum one year	4 136	3 624	4 233	3 759
from one year to five years	5 247	4 592	8 018	7 467
over five years	436	429	-	-
Total future minimal lease payments	**9 846**	**8 645**	**12 251**	**11 226**
Less finance expenses	(1 201)	-	(1 025)	-
Current value	**8 645**	**8 645**	**11 226**	**11 226**

45 Finance lease (continued)

	As of 31 December 2009	As of 31 December 2008	As of 31 December 2009	As of 31 December 2008
	Future minimal lease payments	Future minimal lease payments	Future minimal lease payments	Future minimal lease payments
	'000 USD	'000 USD	'000 USD	'000 USD
Future minimal lease payments				
maximum one year	4 136	3 624	4 233	3 759
from one year to five years	5 247	4 592	8 018	7 467
over five years	436	429	-	-
Total future minimal lease payments	**9 846**	**8 645**	**12 251**	**11 226**
Less finance expenses	(1 201)	-	(1 025)	-
Current value	**8 645**	**8 645**	**11 226**	**11 226**

Finance lease contracts expenses are represented in line "Financial expenses" of Income Statement.

46 Contingent Liabilities

(a) Contractual liabilities, guarantees issued, warranties

As at December 31, 2009 the Group has liabilities under pledge and guarantee contracts to secure own short-term borrowings and loans, stated in *Note 35,* with residual debt in the amount of 19 886 thousand USD (493 046 thousand rubles). The cost of pledged fixed assets liabilities is 16 302 thousand USD.
As at December 31, 2009 the Group has liabilities under pledge contracts to secure long-term borrowings and loans, stated in *Note 32,* with the residual debt in the amount of 18 872 thousand USD (571 203 thousand rubles). The cost of pledged fixed assets liabilities is 12 804 thousand USD.

As at December 31, 2008 the Group has liabilities under pledge and guarantee contracts to secure own short-term borrowings and loans, stated in *Note 35,* with residual debt in the amount of 14 654 thousand USD (430 518 thousand rubles). The cost of pledged fixed assets liabilities is 15 845 thousand USD.
As at December 31, 2008 the Group has liabilities under pledge contracts to secure long-term borrowings and loans, stated in *Note 32,* with the residual debt in the amount of 21 545 thousand USD (633 010 thousand rubles). The cost of pledged fixed assets liabilities is 49 219 thousand USD.

46 Contingent Liabilities (continued)

(b) Taxation

The Russian tax, currency and custom legal and regulatory requirements are subject to different interpretations and changes, which may occur quite frequently. Interpretations of the above legislation by the Management of the Group in reference to the Group's transactions and activity may raise conflict to interpretations by appropriate regional and federal authorities. Recent events in the Russian Federation suggest that taxation authorities may hold better position in their interpretations of legislation and assessment of partnership liabilities, and possibly transactions and actions, which had not been called in question in the past, may be reconsidered. As a result, considerable additional taxes, fines and penalty fees may be charged. Fiscal period remains open for revision by regulating authorities of liabilities of the Group on taxes during three calendar years, which go before the revision year. Under certain circumstances such revisions may cover longer periods.
As of December 31 2009, the Management of the Group is satisfied that their interpretations of existing legislation are appropriate and the Group's treatment of tax, currency and custom legal and regulatory requirements will be accepted. Where the Management's interpretation is presumed to be not accepted, appropriate liabilities were charged in these Consolidated Financial Statements.

(c) Insurance

The Group has insurance policies in respect of its operational assets and vehicles for all cases, subject to obligatory insurance. Additionally the Group willingly insured its property and equipment in order to compensate the expenses, occurred as a result of:

- fire, including fire resulting from illegal actions of the third parties; stroke of lightning, explosion of gas and explosive materials used for both household and industrial purposes;
- natural calamities;
- failures in water supply, heating, sewerage and plumbing, automatic firefighting systems and also as a result of unexpected interruption of operation of the above systems;
- burglary, robbery, brigandage covered by the insurance;
- illegal actions of the third parties (other than theft and terrorist attack);

The Group is subject to political, legal, taxation and regulatory changes and risks not covered by the insurance. No self insurance reserves are included in the Consolidated Financial Statements and significant losses and impairment in relation to property may have significant impact on the activity of the Group.

46 Contingent Liabilities (continued)

(d) Environment

Environmental regulations in the Russian Federation undergo development, and the current situation is persistently revised by government regulatory authorities. The Group carries out periodical assessments of its liabilities in compliance with environmental legal and regulatory requirements. As soon as such liabilities are determined, they are recognized immediately. Possible liabilities, which may arise from the changes in existing instructions, civil law or legislation, cannot be assessed, but may be material. In this situation, according to existing legal and regulatory requirements, the Management of the Group is satisfied that they have no material liabilities related to ecological damage.

(e) Railroad fare expenses

The Group conducts the transportation of raw materials and finished products via railroad transport. An increase in railroad fares and unstable availability of rolling railroad stock on behalf of Ministry of Means of Communication can materially impact the financial result of the Group's activity. In order to smoothen the possible impact the Group actively cooperates with individual transporters, providing their rolling stock lease, that is why the risk of railroad transport absence is low.

(f) Litigation

In 2009 the Group of Companies participated in the series of arbitration proceedings, including proceedings with tax authorities. Information on unsettled disputes as of December 31, 2009 is presented below:

Claimant	Defendant	Amount of the claim '000 USD	Amount of the claim '000 RUR	Ground for action	Legal decision
OJSC APO Elekom	Group	85	2 570	Grain payment arrear.	Claim not paid as of the balance sheet date
RF Pension Fund Department in Romanovsk district of the Altay Territory	Group	4	104	Collection of pension contributions arrear	Claim not paid as of the balance sheet date
Matkov V.G.	OJSC RAD	2	40	Collection of wage arrear	Claim not paid as of the balance sheet date
Group	KSPK Yunona	11	323	Collection of penalty due to breach of contract	Claim disallowed
Group	CJSC Inderskoye	11	323	Collection of arrear	Decision on discontinuance of proceedings due to repayment of principal without penalty
Total		**113**	**3 360**		

47 Industry-Specific Risks

- The condition of flour-milling industry companies, being grain recyclers, mainly depends on corn crop. Bad or low quality harvest risk results in unsatisfactory situation of the whole flour-milling industry.
- In connection with the fact, that the products are supplied to many regions of Russian Federation, an increase in petrol prices, railroad fares and customs quotas may materially increase the costs and negatively effect the financial activity.
- The activity of the flour-grinding industry companies depends on the situation in the bakery enterprises and the companies, which use flour-grain products as raw materials.
- Limitedness of purchase power due to bread and bakery products price limits at the moments of price growth. The given situation develops as a rule not simultaneously in all regions. The redistribution of products sale volumes to regions is used in such situation.

48 Country and regional risks

The most part of the products is sold in the territory of Russian Federation. That is why, the main country risks, impacting the Company are the risks of Russian Federation.

- The political instability can have negative impact on the activity and financial situation and also on the value of shares of the Company. Recently certain stability can be observed in Russian political situation, however, in whole, it is still subject to the different types of fluctuations.
- The conflicts between federal and regional authorities and other conflicts can create negative economic conditions, which may have negative impact on the activity and financial situation.
- Russian production infrastructure (energy system, communication system) is in unsatisfactory condition and during more than the last ten years has not been supported by sufficient financing and maintenance. The government is actively developing plans of rail road, electricity and telephone communications reorganization. Any such reorganization may lead to an increase in payments and fares. The depreciation of Russian production infrastructure damages national economics breaks the access to communications, leads to an increase in commercial activity conducting costs in Russia and to failures in its execution, which may have negative impact on the commercial activity of the Company.
- Social instability may lead to extension of support of renewed statism, nationalism and violence, which has had in such a way a significant negative influence on the Group’s opportunity to do business.
- The weakness of Russian judicial system and legislation creates uncertain environment for investments and business activity.

49 Financial risks

(a) Credit risks

The highest exposure to credit risks is limited by balance cost of each financial instrument in the Company's balance. The highest credit risk as of the reporting date is presented below:

	31 December 2009 '000 USD	31 December 2009 '000 RUR
Trade receivables	9 567	289 336
Other receivables	12 888	389 807
Interest-bearing loans and borrowings	1 822	55 103
Cash and cash equivalents	887	26 826
	25 164	**761 072**

Impairment losses

Receivables, including receivables of related parties, at maturity as of the reporting date are presented below:

	31 December 2009 '000 USD	31 December 2009 '000 RUR
Overdue 0-30 days	15 752	476 416
Overdue 31-90 days	4 916	148 678
Overdue 91-180 days	46	1 406
Overdue 181-365 days	1 741	52 643
	22 455	**679 143**

Provision for impairment of receivables as of December 31, 2009 is 75 267 thousand rubles (2 488 thousand USD).

Provisions account is applied for recording accounts receivable impairment loss if the Group of Companies does not suppose repayment is impossible; in this case, the amount of debt is considered outstanding and directly reduces financial asset cost.

As of the reporting date there was a significant concentration of credit risks in related parties' receivables and loans issued to related parties.

Receivables of related parties

As of December 31, 2009 LLC "Prichulymskoye" is considered to be a more significant debtor, receivables of which are 21 923 thousand rubles (725 thousand USD).

Short-term loans issued to related parties

As of December 31, 2009 OJSC "Zauralskiy Kreker" is considered to be a more significant recipient of loans, the loans to which are included in short-term loans and equal to 12 769 thousand rubles (422 thousand USD).

49 Financial risks (continued)

(b) Liquidity risks

The Group's companies manage liquidity to ensure availability to liquid assets at any time when it is necessary to fulfill liabilities, by means of preparation of the annual budgets, constant monitoring of predicted cash flows and comparison of assets and liabilities repayment schedules.

Classification of financial liabilities by maturity date (except for interest payments) as of 31 December, 2009 is the following:

Underived financial liabilities	**Balance cost**	**Contractual cash flows**	**Less than a year**	**1-2 years**	**2-5 years**
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 RUR
Trade and other payables	906 327	906 327	906 327	-	-
Debt financing	1 172 030	1 172 030	600 827	216 945	354 258
Notes payable	87 000	87 000	87 000	-	-
Lease liabilities	8 645	8 645	3 624	4 592	429
	2 174 002	**2 174 002**	**1 597 778**	**221 537**	**354 687**

Underived financial liabilities	**Balance cost**	**Contractual cash flows**	**Less than a year**	**1-2 years**	**2-5 years**
	'000 USD	'000 USD	'000 USD	'000 USD	'000 USD
Trade and other payables	29 967	29 967	29 967	-	-
Debt financing	38 752	38 752	19 866	7 173	11 713
Notes payable	2 877	2 877	2 877	-	-
Lease liabilities	286	286	120	152	14
	71 882	**71 882**	**52 829**	**7 325**	**11 727**

Currency risks

Predominantly, the Group's companies are exposed to risks related to foreign exchange rate variations as there are debts denominated in foreign currency. Therefore, currency fluctuations may have a material influence on the financial results.

49 Financial risks (continued)

The Group's currency risks are represented in the following table:

	Amounts, denominated in USD as of 31.12.2009	Amounts, denominated in EURO as of 31.12.2009	Amounts, denominated in USD as of 31.12.2008	Amounts, denominated in EURO as of 31.12.2008
	'000 USD	'000 USD	'000 USD	'000 USD
Trade and other receivables	556	-		254
Cash and cash equivalents	20	-	346	
Trade and other payables	(548)	-	(995)	
Debt financing	(9 331)	-	(7 686)	
	(9 303)	**-**	**(8 334)**	**254**

Sensitivity analysis

As at 31 December 2009 the strengthening of the below mentioned currencies by 10 points relative to functional currency would increase/decrease profit/losses and capital by amounts given bellow. The given analysis is based on the assumption that all the variables, and interest rates in particular, do not change and the difference related to the presentation currency translation is not taken into consideration.

Net profit or loss	**31.12.2009**	**31.12.2008**
	'000 USD	'000 USD
Amounts denominated in USD	(930)	(833)
Amounts denominated in EURO	-	25
	(930)	**(808)**

As at 31 December 2009 the weakening of the above mentioned currencies by 10% relative to functional currency would have the opposite effect, if other variables stay unchanged.

(c) Risks of Interest Rate Change

The Group's companies are less exposed to risks connected with interest rate change. Borrowed funds are attracted mainly to recruit current assets and to finance principal activity. Interest rate change may influence the financial result from other operating activity and is not material for the principal activity of the Group's companies.
As of the reporting date all assets and liabilities are with fixed interest rate.

49 Financial risks (continued)

Impact of inflation

Impact of inflation may have a negative effect on actual profitability of investments to the Group's debt liabilities; in particular a sudden increase of inflation may lead to reduction of actual profitability on the long-term investment horizon. In 2009 the rate of inflation in the country was 8,8%, which is lower than the data of 2007-2008, which were 11% and 13% accordingly.

Increase of price rise may lead to increase of cost, borrowing costs, recession of asset and inventory turnover and may become the reason for low profitability ratio.
During the growth of inflation the Group's companies plan to pay special attention to the increase of turnover of current assets, mainly by means of changes in existing contract relationships with consumers in order to decrease receivables of consumers. In general, the impact of inflation on the financial stability of the issuer is insignificant and is predicted during the development of financial plans and budget of the Group's companies.

(d) Planned benefit deficiency risk

A number of the Group products consumers and other debtors may not pay for the purchased goods or not fulfill the agreement terms, which may have negative impact on the results of operating activity of the Group.

Besides, it is difficult to assess the creditability of some clients, as there are no reliable methods for assessing their financial situation, e.g., trustworthy credit reports or data bases. As a result, the Group faces the risk, that some clients or other debtors may not pay or fulfill the terms of their agreements, which may have negative impact on the results of operating activity of the Group's companies.

The Group makes provision for bad debt receivables on the basis of the annual stock count.

The most sensitive to the impact of the risks, given above, are the indices of profit, cost and net income of the Group.

50 Legal risks

(a) Changes in tax legislation

Changes in tax legislation of the Russian Federation may have an impact on generating of Group's financial flows. In particular, a possible growth of tax rates, which the Group applies during its business activity, may lead to an increase of expenses of the Group as well as to the decrease of cash, aimed at current financing and debt mature.

50 Legal risks (continued)

(b) Exchange regulation

Changes in currency regulation will have no significant impact on the Group's business, though the Group is exposed to certain currency risk as debts are denominated in foreign currencies. Nevertheless, main costs of the Group are in roubles and devaluation rate increase will positively impact the financial indices of the Group and, first of all, will lead to an increase in sales profitability.

(c) Licensing

At the very moment the Group has all necessary licenses and the Group's management supposes that it will have no need of licensing in the future even as a result of changes in license requirements.

(d) Changes in judicial practice

The Group believes that possible changes in judicial practice (including licensing, arbitration legislation, labour legislation) will not have a material influence on its economical activity.

51 Subsequent Events

After the balance sheet date the Group has attracted new loans in the amount of USD 19 927 thousand (RUR 602 692 thousand).

After the balance sheet date the paid off receivables totaled USD 6 072 thousand (RUR 183 655 thousand).

After the balance sheet date the Group has been involved in a number of arbitration proceedings. The information about outstanding claims as of 31 December 2009 is presented below:

Claimant	Defendant	Amount of the claim '000 USD	Amount of the claim '000 RUR	Ground for action	Legal decision
OJSC Central company of the financial and production group Zolotoye Zerno Altaya	Group	76	2 300	Return of 240 tons of wheat seeds	Decision to leave the claim without consideration
CJSC Altayagrokhimiya	Group	61	**1 855**	Collection of arrear for chemicals	Decision not made
Total		**137**	**4 155**		

52 Contacts

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