Group OJSC "Armada”

Combined and consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2008

Contents

FIABCI - RUSSIA

ИНСТИТУТ ИПАР ПРОФЕССИОНАЛЬНЫХ АУДИТОРОВ

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Independent Auditor's Report

To the Board of Directors of OJSC "Armada"

Report on the combined and consolidated Financial Statements

We have audited the accompanying combined and consolidated financial statements of OJSC "Armada" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 combined and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the

reasonableness of accounting estimates made by 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 opinion.

Opinion
In our opinion the combined and consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO NP Consult
14 December 2009

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in association with "Moore Stephens International Limited",
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	Note	2008 Mln RUR	2008 Mln USD	2007 Mln RUR Continuing Operations	2007 Mln RUR Discontinued Operations	2007 Mln RUR Total	2007 Mln USD Continuing Operations	2007 млн. долл. США Discon-tinued Operations	2007 Mln USD Total
Revenue	6	5,125	174	2,860	409	3,269	117	17	133
Cost of sales	7	(4,620)	(157)	(2,310)	(158)	(2,468)	(94)	(6)	(101)
Gross profit		**505**	**17**	**550**	**251**	**801**	**22**	**10**	**32**
Distribution expenses	9a	(103)	(4)	(178)	-	(178)	(7)	-	(7)
Administrative expenses	9b	(356)	(12)	(185)	(41)	(226)	(8)	(2)	(9)
Other income/ (expenses)	8	(818)	(28)	4	(5)	(1)	-	-	-
Financial income/ (expenses)	10	(26)	(1)	(22)	32	10	(1)	1	-
Profit (loss) before income tax		**(798)**	**(28)**	**169**	**237**	**406**	**7**	**10**	**16**
Income tax benefit (expense)	11	70	2	(77)	-	(77)	(3)	-	(3)
Net profit (loss) for the period		**(729)**	**(25)**	**92**	**237**	**329**	**4**	**10**	**13**
Attributable to:									
Shareholders of parent company		(738)	(26)	38	237	275	2	10	11
Minority interest		9	-	54	-	54	2	-	2
Basic and diluted earnings (losses) per share	22	RUR	USD	RUR	RUR	RUR	USD	USD	USD
Basic earnings (loss) per share		(64.37)	(2.00)	3.68	22.94	26.61	0.15	0.93	1.08
Diluted earnings (loss) per share		(62.40)	(2.00)	3.54	22.07	25.61	0.14	0.90	1.04

Chief Executive Officer
Gorbatov I. E.

December 14, 2009

Chief accountant
Kuznetsova T. Y.

		2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
ASSETS					
Non-current assets					
Property, plant and equipment	12	97	3	90	4
Intangibles assets	13	296	10	859	35
Available-for-sale investments	15	95	3	-	-
Loans	14	13	-	-	-
		501	16	949	39
Current assets					
Inventories	17	341	12	202	8
Other investments	15	112	4	575	23
Loans	14	605	21	31	1
Trade and other receivables	18	691	24	453	19
Cash and cash equivalents	19	747	25	572	23
		2,496	86	1,833	74
Total assets		2,997	102	2,782	113
EQUITY AND LIABILITIES					
EQUITY	20				
Share capital		12	-	12	-
Share premium		658	22	742	30
Treasury shares		(1)	-	(1)	-
Foreign currency translation reserve		1	-	(11)	-
Retained earnings (loss)		(164)	(6)	575	23
Total equity attributable to the shareholders of Company		507	16	1,317	53
Minority interest		230	8	210	9
Total equity		737	25	1,527	62
Non-current liabilities					
Deferred tax liabilities	16	44	1	139	6
Provisions	5	-	-	41	2
		44	1	180	8

Current liabilities					
Loans and borrowings	21	493	17	55	2
Trade and other payables	23	1,701	58	956	38
Provisions	5	23	1		
Income tax payable		-	-	64	3
		2,216	77	1,075	43
Total liabilities		2,260	78	1,255	51
Total equity and liabilities		2,997	102	2,782	113

Information concerning Discontinued Assets and Liabilities is disclosed in Note 5.

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
OPERATING ACTIVITY				
Profit (loss) before income tax	(798)	(28)	406	16
Adjustments for:				
Depreciation and amortization	175	6	104	4
Unrealised foreign exchange (gain) / loss	13	-	(11)	-
(Gain)/ loss on disposal of property, plant and equipment	(31)	(1)	(1)	-
Net gain from investments	-	-	(18)	(1)
Intangible assets impairment written off	571	19	-	-
Loss on subsidiary disposal	246	8	-	-
Share option program compensation expense	(10)	-	12	-
Bad debts written off	16	-	5	-
Interest expenses	64	2	13	1
Interest income	(46)	(2)	(9)	-
Operating profit before changes in working capital and provisions	199	5	501	20
(Increase)/ decrease in inventories	(138)	(5)	(111)	(5)
(Increase)/ decrease in trade and other receivables	(364)	(12)	(252)	(10)
Increase/ (decrease) in trade and other payables	899	31	554	23
Cash flows from operations before income taxes and interest paid	596	19	692	28
Income tax paid	(103)	(4)	(40)	(2)
Interest paid	(53)	(2)	(13)	(1)
Cash flows from operating activities	440	13	639	25

	2008	**2008**	**2007**	**2007**
	Mln RUR	**Mln USD**	**Mln RUR**	**Mln USD**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	31	1	2	-
Proceeds from disposal of other investments	22	1	573	23
Loans granted	(380)	(12)	(23)	(1)
Repayment of loans granted	47	2	8	-
Interest received	46	2	6	-
Acquisition of property, plant and equipment	(27)	(1)	(61)	(2)
Acquisition of other investment	(110)	(4)	(1,207)	(48)
Acquisition of intangibles assets	(119)	(4)	(107)	(4)
Acquisition (disposal) of subsidiaries, net of cash acquired	(73)	(2)	(348)	(14)
Cash flows (used) in investment activities	(563)	(17)	(1,157)	(46)
FINANCIAL ACTIVITIES				
Proceeds from issue of share capital, net of transaction cost	-	-	732	30
Acquisition of treasury shares	(75)	(3)	(1)	-
Proceeds from borrowings	2,256	77	1,011	41
Repayment of borrowings	(1,829)	(62)	(1,006)	(41)
Dividends paid	(54)	(2)	(221)	(9)
Cash flows from financial activities	298	10	515	21
Increase/ (decrease) of cash and cash equivalents	175	6	(3)	-
Cash and cash equivalents at the beginning of period	572	19	575	23
Cash and cash equivalents at the end of period (note 19)	747	25	572	23

Information concerning Discontinued Cash Flows is disclosed in Note 5.

	Attributable to shareholders of the Company							
Mln RUR	**Share capital**	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007	10				521	531	13	544
Profit for the year					275	275	54	329
Foreign currency translation differences				(11)		(11)		(11)
Total recognized income and expenses for the period	-	-	-	(11)	275	264	54	318
Acquisition of subsidiaries						-	143	143
Share issue	2	730				732		732
Option granted		12				12		12
Treasury shares acquired			(1)			(1)		(1)
Dividends paid					(221)	(221)		(221)
Balance at 31 December 2007	12	742	(1)	(11)	575	1,317	210	1,527
Balance at 1 January 2008	12	742	(1)	(11)	575	1,317	210	1,527
Loss for the year					(738)	(738)	9	(729)
Foreign currency translation differences				13		13		13
Total recognized income and expenses for the period	-	-	-	13	(738)	(725)	9	(716)
Acquisition (disposal) of subsidiaries						-	65	65
Option granted		(10)				(10)		(10)
Treasury shares acquired		(75)	-			(75)		(75)
Dividends paid (note20 (c))							(54)	(54)
Balance at 31 December 2008	12	658	(1)	2	(164)	507	230	737

Mln USD	Attributable to shareholders of the Company						Minority interest	Total equity
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2007	-	-	-	-	21	21	1	22
Profit for the year			-	-	11	11	2	13
Total recognized income and expenses for the period	-	-	-	-	10	11	2	12
Acquisition of subsidiaries						-	6	6
Share issue	-	25	-	-	-	25	-	25
Dividends paid	-	-	-	-	(9)	(9)	-	(9)
Balance at 31 December 2007	-	25	-	-	20	45	7	52
Balance at 1 January 2008	-	25	-	-	20	45	7	52
Loss for the year	-	-	-	-	(26)	(26)	-	(26)
Total recognized income and expenses for the period	-	-	-	-	(26)	(26)	-	(26)
Acquisition (disposal) of subsidiaries	-	-	-	-	-	-	2	2
Treasury shares acquired	-	(3)	-	-	-	(3)	-	(3)
Dividends paid (note20 (c))	-	-	-	-	-	-	(2)	(2)
Balance at 31 December 2008	-	22	-	-	(6)	16	7	25

1. Background

a) Organization and operations

OJSC “Armada” (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies, limited liability companies, as defined in the Civil Code of the Russian Federation, and companies registered abroad Russian Federation. The Company was established in 2005 in the form of open joint stock company and was part of “RBC” group till 2007. In March 2007 the shareholders of the “RBC” group purchased out 95% of ordinary stock of the Company.

In June 2007 the Company made an additional emission of the shares in the amount of 2 000 000 (two million) with par value 1 ruble. Since 31 July 2007 the shares of the Company are listed in the Moscow Interbank Currency Exchange and Russian Trading System (RTS).

In March 2007 RBC transferred the control over the following subsidiaries, which were under common control of the shareholders of “RBC” group and OJSC “Armada”, subsidiaries working in the segment of the Information technologies: OOO "RBC Center”, "RBC Programmniy Produkt”, "Dom dlya PC”, ZAO "RBC Soft”, ZAO "RBC Soft”, ZAO "RBC Engineering” , OOO "Helios Computer”.

During the period from June to September 2007 the Group obtained control over ZAO “PM Expert”, ZAO “Sojuzinform”, OOO "Edinye torgovye sistemy” (ETS).

In July 2007 “Hopeland” LLC, which was the subsidiary of ZAO "RBC Engineering”, was sold to the group “RBC” (represented by “Medialand.ru” LLC).

At 2nd January 2008 Art Technology Group Ltd disposed from the Group, based on Option agreement between OAO “Armada” and GRISARIO Ltd., under which the Group lost control over its business activity.

A list of the significant subsidiaries of the Group as at 31 December 2008 is represented in the note 28.

The Group's principal activities are development, manufacturing and sale of software; production and distribution of the hardware support; development and manufacturing of procedures in the sphere of IT-consulting. The services are rendered on the territory of the Russian Federation and abroad.

The company's legal address: Russian Federation, Moscow, Pechatnikov pereulok, house 22, building 1.

Post address: Russian Federation, Moscow, 5th Donskoy passway, house 15, building 6.

b) Russian business environment

Though there are tendencies for improvements in the economic situation, economy of the Russian Federation still has the definite features of the developing market, particularly, inconvertibility of the Russian ruble in the most countries, foreign currency regulation and comparatively high inflation. The present Russian tax, foreign currency and customs regulation admits different interpretations and subject to often amendments.

The economic perspective of the Russian Federation to a large extent depends on efficiency of economic measures, financial mechanisms and monetary policy, undertaken by the Government, as well as development of fiscal, legal and political systems.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

2. Basis of preparation

(a) Statement of compliance

These combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that investments at fair value through profit or loss and financial investments classified as available-for-sale and held for trading are stated at their fair value. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble (RUR). This currency is also Company's functional currency and the currency in which these combined and consolidated financial statements are presented. All financial information has been rounded to the nearest million (unless otherwise stated).

(d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in USD has been prepared for the convenience of users of the financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2008 of RUR 29.3804 to USD 1. All financial information presented in USD has been rounded to the nearest million (unless otherwise stated).

(e) Use of judgments, estimates and assumptions

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

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

- Note 3(a) - estimates and assumptions concerning the value of acquisition of subsidiaries;
- Note 3(e) – depreciation of property, plant and equipment;
- Note 13(b) – estimation of goodwill impairment;
- Note 26 (c) – tax liabilities reserve;
- Note 24 – options for the shares;
- Note 25 (e) – fair values of financial instruments;
- Note 26 – contingent assets and liabilities;

3. Significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are described in notes 3(a)-(q). These accounting policies have been consistently applied.

The Group represents combined financial statements concerning the disclosures of the comparative information for 2007 year, as if the process of formation of the Group which is conducted under common control and described above would be fully completed before 1 of January 2007, and the Group carried on business independently from this date.

Financial statements of the Group, in particular comparative figures for the year 2007, is considered to be combined, so as the activity of all the subsidiaries of OJSC "ARMADA" , controlled from 01.06.2007, is represented in financial statement not from the moment of obtaining control, but from 01.01.2007.

A list of companies in the Group is represented in Note 28.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries of the Group are those companies, the financial and operating policy of which determined by the Group and from which business activity the Group receives the benefits. The subsidiaries, in which the Group owns more than 50% of voting shares and has an opportunity to exercise control, were included to the consolidated financial statements. Also the consolidated financial statements include the indexes of activity of subsidiaries, in which the Group owns less than 50% of voting shares, but has an opportunity to exercise control by other way, for example by way of conclusion of the option contract for acquisition of the subsidiary with pointing out on presence of control in the option contract.

The control can be implemented by presence of majority in the Board of Directors or in the similar management authorities. . Also control can be implemented if there is an option contract on purchase of any company if there is a point in it, in which it is stipulated such a control till the acquisition is directly performed.

Except for the companies, which are purchased under the common control in 2007, the combined and consolidated financial statements of the Group shows the results of activity of the purchased subsidiaries from the moment of establishment of control under them. Consolidation of the subsidiaries is terminated from the date, when the Group lost control under these companies. The share of minority is disclosed separately.

For acquisition of subsidiaries (except subsidiaries, acquired in 2007 under common control) the method of acquisition is applied. The costs for acquisition are estimated basing of fair value of the transferred assets, issued shares and other obligations, which appear at the moment of acquisition, and also costs, which are directly connected with acquisition. The date of acquisition is the date, at which the companies are combined. In case when the acquisition of the company is done by stages, costs for acquisition are estimated at the date of each transaction.

(ii) Transactions between the enterprises under common control

Transference of the shares in the companies, which are under control of the same shareholders, who controls the Company, are recorded as if the corresponding transference occurred at the beginning of the earliest comparative periods. The individual entities of the restructured group, do not prepare financial statements in accordance with IFRS.

All assets and liabilities as at 01.01.2007 are recognized and estimated in accordance with the requirements of IFRS. Taking into account that all the group's subsidiaries, which were part of RBC group as at 01.01.2007 (OAO "RBC Informazionnye Systemy"- the company, which are under control of those shareholders, who control the Group), were preparing financial statements under IFRS for consolidation purposes, all assets and liabilities are recognized in the estimations, under which were included in the consolidated financial statements of the RBC group. And the receivables and payables of the mentioned subsidiaries of the Group in connection with RBC are recoded fully.

Goodwill in relation to operations on formation of the Group in the period from 01.01.2007 till 01.06.2007 is not determined.

The difference between the cost of financial investments of the Company into the subsidiaries and controlled net assets (calculation done as at 01.01.2007) is recognized in retained earnings.

(iii) Transactions eliminated on consolidation

Intercompany balances and any unrealized income and expense arising from intercompany transactions, are eliminated in preparing the combined and consolidated financial statements. Unrealized losses are eliminated in the same order as unrealized gain, but only in the part of unimpaired value of the corresponding asset.

(iv) Associated and jointly controlled companies

Associated companies are those companies, on which the Group has a considerable influence and which are not subsidiaries and interest in the joint activity. The "considerable influence" means an opportunity to participate in taking decisions on financial or operating policy of the company, but not to control or jointly control such policy. Associated companies are taken into account on the method of equity method.

Equity method provides record in the consolidated income statement the equities of the Group in net income (loss) of the associated company for the year. Unrealized gain on the operations between Group and associated companies is excluded in the amount, which corresponds to the share of the Group in the associated companies; unrealized losses are also excluded, except for the cases, when there are signs of decrease of value of the transferred asset.

The share of the Group in each associated company is recorded in the consolidated balance sheet in the amount, which includes the price of acquisition, goodwill for the date of acquisition, and also its share in the profits and losses and share in change of reserves from the moment of acquisition, which are acknowledged in the composition of the capital. The corresponding reserve is calculated on reduction of value of such investments.

Recognition of losses during use the equity method is terminated from the moment, when the carrying amount of the financial investment into the associated company becomes equal to zero except for those cases, when the Group is liable for obligations of the associated company or gave guarantees in relation to the obligations of the associated company.

The jointly controlled companies are those companies, on which two or more parties exercise control. Investments to these companies are also taken into account on equity method.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement for the period.

(ii) Foreign operations

The assets and liabilities of foreign enterprises, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognized directly in equity. Since 1 January 2007, i.e. the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (FCTR). When a foreign enterprise is disposed of, in part or in full, the relevant amount in the FCTR is wrote off and transferred to profit or loss for the reporting period.

(c) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

Accounting for finance income and expenses is discussed in note 3.

(ii) Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

(iii) Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in income statement.

(iv) Available-for-sale financial assets

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

(v) Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

(d) Share capital

(i) Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

(ii) Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated.

The estimated useful lives for the current period are as follows:

- Computer equipment 5 years
- Office equipment 5 years
- Transport 5 years
- Other assets 5 years.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill in relation to the operations on formation of the group Armada in the period till 01 June 2007 is not determined.

The difference between the cost of financial investments of OJSC "ARMADA" into the subsidiaries and controlled net assets (calculation done as at 01 January 2007) relates to retained earnings.

Acquisitions

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree for the date of acquisition. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose

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of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

When a business combination involves more than one transaction any adjustment to those fair values relating to previously held interests of the Group is recognized as a revaluation in equity. No such revaluation is made when the Group acquires an additional minority interest in subsidiaries.

Any premiums paid in excess of the carrying amount of the respective portion of minority interest at the date of acquisition of an additional interest in subsidiaries are recognized in goodwill.

If acquisition of the shares of the minority shareholders of subsidiaries after the control is obtained, the goodwill is defined as the difference between the Cost of the Additional Investment (CAI) and the part of the minority interest being acquired in the carrying amount of the net assets at the date of taking control. When the cost of acquisition is variable, the estimation of the pointed out CAI, which is entered as liability, is done at the date of the share acquisition.

For each following reporting date till the moment of final CAI determination, the pointed out estimation is being specified and the obligation is adjusted with showing the difference on goodwill and/or interests paid. At recording CAI on settlement by treasury shares, the market value of the given shares at the reporting date is taken as CAI.

Ownership interest of the minority shareholders being acquired is recognized to be terminated at the moment of recognition of liability in the amount of CAI.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the Group is measured at historical cost less accumulated amortization and accumulated impairment losses.

(iii) Web-sites

Costs relating to the development of web-sites are capitalized if the site is functional in nature (i.e. it is designed to generate revenue from on-line sales).

Expenditure on design, content and appearance of the site is expensed as incurred.

(iv) Capitalized development costs

Costs for development are capitalized only if they can be reliably assessed , the product or the process are practicable from the technical and commercial points of view, the possibility of getting future economic benefits is high, and the Group is intended to complete the process of working out and using or selling the asset and has enough resources for this purpose. . The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use: rent, utilities, internet, telephony, depreciation. Other development expenditure is recognized in profit or loss when incurred.

Capitalized development expenditure is measured at historical cost less accumulated amortization and accumulated impairment losses.

Costs for development are capitalized based on actual working days in a year. In 2008 year there were 168 working days.

(v) Other intangible assets

Other intangible assets, which are acquired by the Group and which have finite useful lives, are measured at historical cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill is recognized in profit or loss as incurred.

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(vi) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss when incurred.

(vii) Amortization

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date when they are available for use. The estimated useful lives of amortized assets in the reporting period are as follows:

• Software	3 years
• Licenses	Indefinite
• Trade marks	3 years
• Web-sites	3 years
• Brand	Indefinite
• Capitalized development costs	3 years
• Customer lists	2-4 years, indefinite

(g) Inventories

Inventories are recorded at the least of two amounts: actual costs and net cost of the possible sale. Net cost of the possible sale represents the proposed (calculated) price of sale of the inventories object in the process of the ordinary economical activity of the enterprise, minus estimated expenditures for completion of works on this object and its sale.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of computers and spare parts in the IT segment, which are not ordinarily interchangeable and which are segregated for specific projects is determined by using the specific identification of individual costs.

(h) Leased assets

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

Other leases are operating leases and the leased assets are not recognized on the Group's balance sheet.

(i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) to the repayable asset value (Group of assets).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(j) Provisions

(i) Tax provisions

The Group provides for tax risks including interest and penalties, when it is probable that an outflow of economic benefits will be required according to the effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities.

(ii) Other provisions

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

(k) Revenues

Revenue from services rendered is recognized in profit and loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

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Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(l) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value and gains on disposal of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognized as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value and losses on disposal of financial assets at fair value through profit or loss, and impairment losses on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method.

(m) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

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

(o) Other expenses

(i) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format for segment reporting is based on business segments.

(q) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 8 "Operating Segments" ("IFRS 8"), which is effective for annual periods beginning on or after 1 January 2009. The standard replaces IAS 14 "Segment reporting". The standard requires an entity to adopt the "management approach" to reporting of performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operations segments. Such information may be different from what is used to prepare the income statement and balance sheet. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the income statement and balance sheet. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- Amendment to IAS 23 "Borrowing costs" ("IAS 23"), which is effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 23 removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The application of these amendments is not expected to materially affect the Group's consolidated financial statements.
- Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1"), which is effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its consolidated financial statements but to have no impact on the recognition or measurement of specific transactions and balances.
- Amendment to IAS 32 and IAS 1 will be effective from 1 January 2009. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. Management does not expect the amendment to materially affect the Group's consolidated financial statements.
- Amendment to IAS 27 "Consolidated and Separate Financial Statements" ("IAS 27"), which is effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary.

At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

- Amendment to IFRS 3 "Business Combinations" ("IFRS 3"), which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

- Amendment to IFRS 2 "Share-based Payment" ("Vesting Conditions and Cancellations"), which is effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The application of the amended standard is not expected to materially affect the Group's financial statements.

- Amendment to IFRS 1 and IAS 27 ("Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"), which is effective for annual periods beginning on or after 1 January 2009. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognized in profit or loss rather than as a recovery of the investment. The amendments will not have an impact on the Group's consolidated financial statements.

4. Segment reporting

Segment information is presented in respect of the Group's business segments. Business segments are based on the Group's management and internal reporting structure.

Inter-segment pricing is not determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and revenue, interest-bearing loans, borrowings and corresponding expenses, and corporate assets and expenses.

(a) Business segments

The Group comprises the following main business segments:

Software. Development, manufacturing and sale of software.

Hardware support. Production and distribution of the hardware support.

System integration. Development and manufacturing of procedures in the sphere of IT-consulting.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

2008, Mln RUR	**Software**	**Hardware**	**System integration**	**Eliminations**	**Consolidated**
Revenue from external customers	1,655	2,189	1,281	-	5,125
Inter-segment revenue	373	9	118	(500)	-
Total revenue	2,028	2,198	1,399	(500)	5,125
Segment result	103	191	210	-	504
Unallocated expenses					(1,277)
Profit from operations					(773)
Financial income					40
Financial expenses					(66)
Income tax					70
Net profit for the year					(729)
Segment assets	1,183	569	1,004	(447)	2,309
Unallocated assets					688
Total assets					2,996
Segment liabilities	1,063	395	487	(427)	1,518
Unallocated liabilities					742
Total liabilities					2,260
Depreciation\Amortization	124	7	44	-	175
Capital expenditure	182	34	49	-	266

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

2008, Mln USD	Software	Hardware	System integration	Eliminations	Consolidated
Revenue from external customers	56	74	44	-	174
Inter-segment revenue	13	-	4	(17)	-
Total revenue	69	74	48	(17)	174
Segment result	4	7	7	-	18
Unallocated expenses					(44)
Profit from operations					(26)
Financial income					1
Financial expenses					(2)
Income tax					2
Net profit for the year					(25)
Segment assets	40	19	34	(15)	78
Unallocated assets					24
Total assets					102
Segment liabilities	36	13	17	(15)	51
Unallocated liabilities					27
Total liabilities					78
Depreciation\Amortization	4	-	1		5
Capital expenditure	6	1	2	-	9

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

2007, Mln RUR	**Software**	**Hardware**	**System integration**	**Eliminations**	**Consolidated**
Revenue from external customers	1,110	1,530	629	-	3,269
Inter-segment revenue	224	39	-	(263)	-
Total revenue	1,334	1,569	629	(263)	3,269
Segment result	389	165	247	-	801
Unallocated expenses					(405)
Profit from operations					396
Financial income					26
Financial expenses					(16)
Income tax					(77)
Net profit for the year					329
Segment assets	975	483	867	(150)	2,175
Unallocated assets					607
Total assets					2,782
Segment liabilities	589	310	197	(141)	955
Unallocated liabilities					300
Total liabilities					1,255
Depreciation\Amortization	86	17	1	-	104
Capital expenditure		17	15	-	877

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2007, Mln USD	Software	Hardware	System integration	Eliminations	Consolidated
Revenue from external customers	45	62	26	-	133
Inter-segment revenue	9	2	-	(11)	-
Total revenue	54	64	26	(11)	133
Segment result	15	7	10	-	32
Unallocated expenses					(16)
Profit from operations					16
Financial income					1
Financial expenses					(1)
Income tax					(3)
Net profit for the year					13
Segment assets	41	20	35	(6)	90
Unallocated assets					23
Total assets					113
Segment liabilities	23	13	8	(6)	38
Unallocated liabilities					13
Total liabilities					51
Depreciation\Amortization	5	1	-		6
Capital expenditure		1	1	-	35

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(a).

5. Acquisition and disposal of subsidiaries

(a) Disposal of «Art Technology Group Limited»

At 2nd January 2008 Art Technology Group Ltd disposed from the Group, based on Option agreement between OAO "Armada" and GRISARIO Ltd., under which the Group lost control over its business activity. The cost of shares purchased under Option agreement is 1 thousand USD.

The effect of disposal on the Group financial statements as at 1 January 2008:

Assets:	**Mln RUR**	**Mln USD**
Financial assets held-for-trade	(553)	(19)
Advances issued	(49)	(2)
Other receivables	(135)	(5)
Cash and Cash equivalents	(10)	-
Liabilities:		
Unsecured loans	253	9
Trade accounts payables	95	3
Advances received	153	5
Other payables and accruals	1	-
Foreign Currency translation reserve	(11)	-
Net result on disposal	**(256)**	**(9)**

256 Mln RUR/8.7 Mln USD loss was recognized in the income statement for 12 month 2008, including 10 Mln RUR/0.3 Mln USD foreign currency translation reserve writing-off.

Discontinued Cash Flows for the 12 months 2007:

Discontinued Cash Flows	**Mln RUR**	**Mln USD**
Net Operating Cash Flows	311	11
Net Investment Cash Flows	(536)	(18)
Net Finance Cash Flows	(221)	(8)
Net Discontinued Cash Flows	(446)	(15)

(b) Establishment and increase in share in ZAO "PM Expert"

In August 2007 the Group participated in creation and establishment of ZAO "PM Expert" (25,01%). Later in August 2007 the Group purchased additional 25% of shares. In accordance with the agreement the transaction consists of two parts. The first part is fixed and amount to 25 thousand RUR/ USD 1 thousand. The second part is based on ZAO "PM Expert" net profit for the financial year 2008 and should be paid not later than 1 December 2009. As at 31 December 2007 the second

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part of the payment was Group management estimation based on expected profit and was amounted to 41 Mln RUR/1.4 Mln USD. In accordance with the factual net profit for 12 months 2008 the second part of payment changed and was 23 Mln RUR/0.8 Mln USD.

6. Revenue

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Revenue from sale of hardware	2,189	74	1,530	62
Revenue from sale of software	1,655	56	1,110	45
Revenue from sale of IT-services	1,281	44	629	26
	5,125	174	3,269	133

7. Cost of Sales

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Cost of goods sold	(1,580)	(54)	(1,140)	(47)
Services of sub-contractors and contractors	(1,790)	(61)	(504)	(21)
Materials	(530)	(18)	(355)	(14)
Wages and Salaries	(416)	(14)	(176)	(7)
Expenses on software	(3)	-	(168)	(7)
Amortization of intangible assets	(154)	(5)	(91)	(4)
Depreciation of PP&E	(20)	(1)	(13)	(1)
Business trip expenses	(12)	-	(9)	-
Licenses	(100)	(3)	(3)	-
Other expenses	(15)	(1)	(9)	-
	(4,620)	(157)	(2,468)	(101)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

8. Other income/(expenses)

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Rental income	2	-	9	-
Fines and penalties	(4)	-	4	-
Write-off accounts payable	2	-	2	-
Reversal of prior year bad debt write-off	6	-	-	-
Gain on disposal of Property, plant and equipment	31	1	1	-
Excess of purchasing share over cost of investment	13	-	-	-
Other income	50	1	16	-
Accounts receivable write-off	(17)	-	(5)	-
Intangibles impairment write-off	(571)	(19)	(7)	-
Loss on disposal of subsidiary	(246)	(8)		
Loss on disposal of inventory	(5)	-	-	-
Currency operation result	(4)	-	-	-
Other expenses	(25)	(1)	(5)	-
Other expenses	(868)	(29)	(17)	-
	(818)	(28)	(1)	-

9a. Distribution expenses

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Advertising	(82)	(3)	(157)	(6)
Transport	(16)	(1)	(17)	-
Other commercial expenses	(5)	-	(4)	(1)
	(103)	(4)	(178)	(7)

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9b. Administrative expenses

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Wages and salaries	(165)	(5)	(110)	(4)
Rental expenses	(79)	(3)	(48)	(2)
Materials	(16)	(1)	(19)	(1)
Telecommunication expenses	(16)	(1)	(17)	(1)
Consulting and legal expenses	(16)	(1)	(5)	-
Bank charges	(4)	-	(2)	-
Insurance	(6)	-	(1)	-
Personnel training expenses	-	-	(1)	-
Taxes excepting income tax	(10)	-	-	-
Other administrative expenses	(44)	(1)	(23)	(1)
	(356)	(12)	(226)	(9)

9c. Total personnel costs

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Wages and salaries	520	17	248	10
Contributions to the State Pension Fund and other social charges	61	2	38	1
	581	19	286	11

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

10. Financial income and expenses

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Gain on investments	-	-	18	1
Foreign exchange gain	4	-	-	-
Interest income	46	2	8	-
Financial income	**50**	**1**	**26**	**1**
Interest expenses	(64)	(2)	(13)	(1)
Foreign exchange loss on disposal of Art Technology Group	(10)	-	(3)	-
Other expenses	(2)			
Financial expenses	**(76)**	**(2)**	**(16)**	**(1)**
	(26)	**(1)**	**10**	**-**

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11. Income tax expense

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Current income tax				
Current year	(25)	(1)	(88)	(3)
	(25)	(1)	(88)	(3)
Deferred income tax				
Origination and reversal of temporary differences	95	3	11	-
	95	3	11	-
	70	2	(77)	(3)

The Group's applicable tax rate is 24%. The subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. The income earned by entities incorporated in British Virgin Islands and Hong Kong is not currently subject to income tax.

Reconciliation of effective tax rate:

	2008 Mln RUR	%	2008 Mln USD	%	2007 Mln RUR	%	2007 Mln USD	%
Profit (loss) before income tax	(798)	100	(28)	100	406	100	16	100
Income tax at applicable tax rate (24%)	192	(24)	6	(24)	(97)	(24)	(4)	(24)
Non-deductable expenses	(117)	15	(5)	15	(37)	(9)	(2)	(9)
Non-taxable income	24	(3)	1	(3)	16	4	1	4
Effect of lower rate application	-	-	-	-	52	13	2	13
Effect of decreasing of tax rate to 20% in 2008 year that come into force from 1 January 2009	(29)	4	(1)	4				
Change in unrecognized temporary differences	-	-	-	-	(11)	(3)	-	(3)
	70	(9)	2	(9)	(77)	(19)	(3)	(19)

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12. Property, plant and equipment

Mln RUR	Hard	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2007	62	12	2	1	77
Additions	20	32	9	-	61
Acquired through business combination	-	6	4	-	10
Disposals	(2)	(1)	(2)	-	(5)
Balance at 31 December 2007	80	49	13	1	143
Balance at 1 January 2008	80	49	13	1	143
Additions	11	11	13	49	84
Acquired through business combination (note5)	-	-	-	-	-
Disposals	(2)	-	(2)	(49)	(54)
Balance at 31 December 2008	88	59	24	1	172
Depreciation					
Balance at 1 January 2007	(28)	(6)	(1)	(1)	(36)
Depreciation through business combination	-	(4)	(2)	-	(6)
Depreciation for the period	(10)	(4)	(1)	-	(15)
Disposals	2	1	1	-	4
Balance at 31 December 2007	(36)	(13)	(3)	(1)	(53)
Balance at 1 January 2008	(36)	(13)	(3)	(1)	(53)
Depreciation for the period	(13)	(9)	(3)	-	(26)
Disposals	1	-	1	-	3
Balance at 31 December 2008	(48)	(22)	(5)	-	(76)
Net book value					
At 1 January 2007	34	6	1	-	41
At 31 December 2007	44	36	10	-	90
At 31 December 2008	40	37	19	1	97

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Mln USD	Hard	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2007	3	-	-	-	3
Additions	1	1	-	-	2
Acquired through business combination	-	1	-	-	1
Disposals	-	-	-	-	-
Balance at 31 December 2007	4	2	-	-	6
Balance at 1 January 2008	4	2	-	-	6
Additions	0,4	0,4	0,4	1,7	2,9
Acquired through business combination (note5)	-	-	-	-	-
Disposals	(0,1)	-	(0,1)	(1,7)	(1,8)
Balance at 31 December 2008	4,3	2,4	0,3	-	7,1
Depreciation					
Balance at 1 January 2007	(1)	-	-	-	(1)
Depreciation for the period	(1)	-	-	-	(1)
Disposals	-	-	-	-	-
Balance at 31 December 2007	(2)	-	-	-	(2)
Balance at 1 January 2008	(1,2)	(0,4)	(0,1)	-	(1,7)
Depreciation for the period	(0,4)	(0,3)	(0,1)	-	(0,8)
Disposals	0,1	-		-	0,1
Balance at 31 December 2008	(3,5)	(0,7)	(0,2)	-	(4,4)
Net book value					
At 1 January 2007	2	-	-	-	2
At 31 December 2007	2	2	-	-	4
At 31 December 2008	0,9	1,7	0,1	-	3

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

13. Intangible assets

Mln RUR	Soft	Web-sites	Licenses	Capitalized expenses on development	Brands	Good will	Client list	Total
Cost								
Balance at 1 January 2007	16	1	-	123	-	59	15	214
Additions	4	-	-	105	-	-	-	109
Acquisition through business combination	46	-	1	-	49	129	472	697
Disposals	(1)	-						(1)
Balance at 31 December 2007	66	1	1	228	49	188	487	1,020
Balance at 1 January 2008	66	1	1	228	49	188	487	1,020
Additions	-	-	-	129	-	-	-	129
Acquisition through business combination	-	-	-	-	-	35	-	35
Disposals	(1)	(1)				-		(1)
Balance at 31 December 2008	65	1	1	357	49	223	487	1,183
Amortization								
Balance at 1 January 2007	(6)	-	-	(61)	-	-	(3)	(70)
Amortization for the period	(9)	-	-	(50)	-	-	(32)	(91)
Balance at 31 December 2007	1	1	-	-	-	-	-	1
Amortization	(15)	-	-	(111)	-	-	(35)	(161)
Balance at 1 January 2007	(15)	-	-	(111)	-	-	(35)	(161)
Amortization for the period	(24)	-	-	(70)	-	-	(62)	(156)
Impairment	(25)	-	-	-	(20)	(186)	(339)	(571)
Disposal	1	1						1
Balance at 31	(64)	-	-	(181)	(20)	(186)	(436)	(887)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

December 2008								
Net book value								
At 1 January 2007	10	1	-	62	-	59	12	144
At 31 December 2007	51	1	1	117	49	188	452	859
At 31 December 2008	1	1	1	176	29	37	51	296

Mln USD	Soft	Web-sites	Licenses	Capitalized expenses on development	Brands	Good will	Client list	**Total**
Cost								
Balance at 1 January 2007	1	-	-	5	-	3	1	10
Additions	-	-	-	4	-	-	-	4
Acquisition through business combination	2				2	5	19	28
Disposals								
Balance at 31 December 2007	3	-	-	9	2	8	20	42
Balance at 1 January 2008	3	-	-	9	2	8	20	42
Additions	-	-	-	4,4	-	-	-	4,4
Acquisition through business combination						1,2		1,2
Disposals								
Currency difference	(0,8)			(1,2)	(0,3)	(1,6)	(3,4)	(7,3)
Balance at 31 December 2008	2,2	-	-	12,2	1,7	7,6	16,6	40,3
Amortization								
Balance at 1 January 2007		-	-	(3)	-	-	-	(3)
Amortization for the period	(1)	-	-	(2)	-	-	(1)	(4)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Balance at 31 December 2007	(1)	-	-	(5)	-	-	(1)	(7)
Amortization								
Balance at 1 January 2008	(1)	-	-	(5)	-	-	(1)	(7)
Amortization for the period	(0,8)	-	-	(2,4)	-	-	(2,1)	(5,3)
Impairment	(0,9)	-	-	-	(0,7)	(6,3)	(11,5)	(19,4)
Balance at 31 December 2008	(2,2)	-	-	(6,2)	(0,7)	(6,3)	(14,8)	(30,2)
At 1 January 2007	1	-	-	3	-	3	-	8
At 31 December 2007	2	-	-	4	2	8	19	35
At 31 December 2008	-	-	-	6	1	1,3	1,7	10

(a) Amortization charge

The amortization charges for the year are included in "cost of sales".

(b) Impairment testing of goodwill and intangible assets with indefinite useful life

The Group has the following intangible assets with indefinite useful life:

- Goodwill in the amount of 188 million RUR/ USD 6,4 million,
- Trade mark (ZAO "PM Expert") – 49 million RUR/ USD 1,7 million,
- Client's list (ZAO "PM Expert") – 45 million RUR/ USD 1,5 million,
- Client's list (ZAO "Sojuzinform") – 293 million RUR/ USD 10 million,
- Licenses in the amount of 1 million RUR/ USD 0,04 million.

For testing on impairment, goodwill in the amount 59 millions RUR/ USD 2 million is allocated to OOO "Helios Computer" , goodwill in the amount 100 million RUR/ USD 3,4 million is allocated to CJSC "Sojuzinform", goodwill in the amount 23 million RUR/ USD 0,8 million is allocated to OOO "ETS" (Note 5).

These units represent the most detailed level within the Group at which the intangible assets are monitored for internal management purposes.

The recoverable amount of each unit represents value in use as determined by discounting the future cash flows generated from their continuing operations.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

OOO "Helios Computer"

At testing goodwill impairment, which occurred at acquisition of "Helios Computer”, the following basic assumptions were used:

- Cash flow prediction is based on the actual operating results and business plan 2009-2010;
- Revenue prediction was based on actual data on revenue from long-term client list, which existed at the acquisition date. It was proposed, that expected growth in revenue would be similar to hardware market growth rate (10% per year for the years from 2010 till 2013), and to IT-services growth rate (10% per year for the years from 2010 till 2013, correspondingly);
- A discount rate of 18% on after tax basis was applied for discounting cash flow for all tested intangible assets. The discount rate was estimated based on weighted average cost of the equity.
- The values assigned to key assumptions represent management assessment of future trends in business and based on internal and external sources
- The estimated net discounted cash flow indicates an impairment of goodwill of “Helios Computer” as at 31 December 2008 in the amount of 22 Mln RUR/0,8 Mln USD.

ZAO "PM Expert"

Trade Mark (ZAO "PM Expert")

- The royalty method was applied for the impairment testing procedure. The royalty flow was calculated as a percentage of 2009 revenue. Revenue for 2009 was combined as the fact for the 9 months 2009 plus prediction for fourth quarter 2009. A discount rate of 18% on after tax basis was applied for discounting cash flow for all tested intangible assets. The discount rate was estimated based on weighted average cost of the equity.
- The estimated net discounted cash flow indicates an impairment of trade mark of “ZAO "PM Expert" as at 31 December 2008 in the amount of 20 Mln RUR/0,7 Mln USD.
- *Goodwill (ZAO "PM Expert")*

The testing procedure indicated no impairment of goodwill.

OOO "ETS"

Based on conservative management expectations the following intangibles were written-off:

- Software – 25 Mln RUR/0,9 Mln USD
- Goodwill – 23 Mln RUR/0,8 Mln USD
- Client list – 8 Mln RUR/0,3 Mln USD

ZAO "Sojuzinform”

Based on conservative management expectations the following intangibles were written-off:

- Goodwill – 141 Mln RUR/4,8 Mln USD
- Client List – 331 Mln RUR/11,3 Mln USD

14. Loans

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Non-current				
Loan granted to a third party, the effective interest rate 0% per year	10	-	-	-
Loan granted to a third party, the effective interest rate 10,5% per year	3	-	-	-
Current				
Loan granted to third party, the effective interest rate 10% per year	605	21	5	-
Loan granted to third party, the effective interest rate 11% per year	-	-	26	1
	618	**21**	**31**	**1**

15. Other investments

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Available-for-sale investments	95	3	-	-
Financial assets held-for-trade	-	-	553	22
Promissory notes held-to-maturity	112	4	22	1
Other investments	**207**	**7**	**575**	**23**

16. Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2008 were recalculated to 20% tax rate in accordance with change in legislation: the tax rate was decreased from 24% to 20% from 1 January 2009.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Deferred tax assets and liabilities are attributable to the following items

Mln RUR	Assets		Liabilities		Net assets / (liabilities)	
	2008	2007	2008	2007	2008	2007
PP&E	-	1	(7)	(4)	(7)	(3)
Intangible assets	2	1	(42)	(140)	(40)	(139)
Other assets and investments	-	-	-	(1)	-	-
Prepaid expenses	-	1	-	-	-	-
Receivables	3	3	-	-	3	3
Total assets/(liabilities)	5	6	(49)	(145)	(44)	(139)
Net assets/(liabilities)	5	6	(49)	(145)	(44)	(139)

млн. долл. США	Assets		Liabilities		Net assets / (liabilities)	
	2008	2007	2008	2007	2008	2007
PP&E	-	-	-	-	-	-
Intangible assets	-	-	(2)	(6)	(2)	(6)
Other assets and investments	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Total assets/(liabilities)	-	-	(2)	(6)	(2)	(6)
Net assets/(liabilities)	-	-	(2)	(6)	(2)	(6)

(b) Movement in temporary differences during the year

Mln RUR	1 January 2008	Recognized in income	Acquisitions of subsidiaries	31 December 2008
PP&E	(3)	(4)	-	(7)
Intangible assets	(139)	99	-	(40)
Receivables	3	-	-	3
	(139)	95	-	(44)

млн. долл. США	1 January 2008	Recognized in income	Acquisitions of subsidiaries	31 December 2008
PP&E	-	-	-	-
Intangible assets	(6)	4	-	(2)
Receivables	-	-	-	-
	(6)	4	-	(2)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

17. Inventories

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Finished goods and goods for re-sale	225	8	185	7
Work in progress	18	1	14	1
Materials	98	3	3	-
	341	12	202	8

As at 31 December 2008 inventories amounted to 4 Mln RUR/ 0.1 Mln USD were pledged.

18. Trade and other receivables

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Trade accounts receivables	510	18	244	10
Advances issued	94	3	138	6
VAT receivable	21	1	36	1
Prepaid expenses	24	1	11	1
Other receivables	51	2	31	1
Tax receivable	14	-	-	-
	714	25	460	19
Bad debt provision	(23)	(1)	(7)	-
	691	24	453	19

19. Cash and cash equivalents

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Cash at bank and in hand	747	25	501	20
Cash held by brokers	-	-	71	3

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

747	25	572	23

Cash held by brokers represents cash expected to be used for purchasing trade securities. This cash can be received within 10 days after notification.

20. Equity

(a) Share capital and share premium as at 31 December 2008

	Ordinary shares		
	piece	Mln RUR	Mln USD
Authorized shares	12 000 000	12	-
Par value	1 руб.		
Issued at beginning of year	12 000 000	12	-
Treasury shares	(651 413)	(1)	-
Shares issued during a year and fully paid	-	-	-
Issued as at the end of the year, fully paid	11 348 587	11	-

Share capital and share premium as at 31 December 2007

	Ordinary shares		
	piece	Mln RUR	Mln USD
Authorized shares	12 000 000	10	-
Par value	1 руб.		
Issued at beginning of year	10 000 000	10	-
Treasury shares	(500 000)	(1)	-
Shares issued during a year and fully paid	2 000 000	2	-
Issued as at the end of the year, fully paid	11 500 000	11	-

(b) Treasury shares

As at 31 December 2008 the Group held 651 412 of its own shares.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

As at 31 December 2007 the Group held 500 000 of its own shares.

(c) Dividends

In accordance with Russian legislation the Company's distributable funds are limited by the accumulated retained earnings, as recorded in Company's statutory financial statements, prepared in accordance with Russian Accounting Principles.

In the 2008 year the dividends for the year 2007 were not paid.

21. Loans and borrowings

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Current				
Unsecured borrowings	2	-	55	2
Loans	491	17		
	493	17	55	2

(a) Bank loans

Secured bank loan in the amount of 80 Mln RUR/3 Mln USD denominated in RUR with maturity period in 2009 year, was received from OAO "Sberbank" with interest rate 12.5%.

Secured bank loan in the amount of 401 Mln RUR/14 Mln USD, denominated in USD with maturity period in 2009 year, was received from OAO "Narodny Bank Kazahstan" with interest rate 15%.

22. Earnings per share

The calculation of basic earnings per share as at 31 December 2008 was based on the net profit for the year and the weighted average number of ordinary shares outstanding during 2008 calculated as follows:

In thousands of shares	2008	2007
Ordinary shares at 1 of January	11,500	10,000
Effect of own shares held	(50)	(292)
Effects of own shares issued	-	625
Weighted average number of ordinary shares for the year	11,450	10,333

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

The Group has dilutive potential ordinary shares under the option programs (note 24).

Weighted average number of ordinary shares in 2008, including dilutive potential ordinary shares, was determined as follows:

In thousands of shares	2008	2007
Weighted average number of ordinary shares	11,450	10,333
Effect of shares to be issued under agreement on purchase- sale of share	-	46
Effect of potential ordinary shares to be issued under option program of August 2007.	360	360
Weighted average number of ordinary shares per year	11,810	10,739

23. Trade and other payables

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Trade accounts payable	1,426	50	560	22
Advances received	125	4	304	12
Other taxes payable	6	-	37	2
Wages and salary	20	-	20	1
Options payable		-	24	1
Other payables and accrued liabilities	124	4	11	-
	1,701	58	956	38

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

24. Share options

(a) A share option program set up in 2007

In July 2007 the compensation committee of the Group set up an option program for the members of the Board of Directors and senior management.

Under the program, members of the Board of Directors have opportunity, within a 3-year period (from 1 August 2007 till 31 July 2010) of work in the Board of Directors, to purchase a maximum of 210 000 shares at 130% of the offering price for a share, which equals to 494 RUR/ USD 20 per share.

The participants in the program, at their decision, can exercise 1/3 of share options any time after expiration of 1 year the program was set up and up to 3 months the program is over; 2/3 of share options after expiration of 2 year the program was set up and up to 3 months the program is over; in full volume up to 3 months the program is over.

If a participant in the option program ceases to be a Board of Directors member any time during the 3-year period, he is entitled to 1/3 of the maximum share options for one year of his service in the Board of Directors and to 2/3 of the maximum share options for two years of service in the Board of Directors, and to the full amount of share options after 3 years of his service.

The option program participants cannot claim to be paid a difference between the market price of shares and the share price of the share options.

- The Group has considered the program to constitute 3 separate share option arrangements with one-, two- and three-year vesting periods.
- The Group valuates options on internal cost at the reporting date as 27.87 rubles/ USD 1.
- The internal cost of the option is determined as the difference between the market price of the share at the reporting date and the price of execution of the option.

None of the share option program participants had made a decision to exercise his share options by the date when these consolidated financial statements were authorized for issuance.

(b) Other share option programs

Under the option program senior management have a right to receive 150 000 shares subject to their three year period of service with the Group. The share options granted to senior management are excisable for no consideration.

If an employee leaves the company before share option period expired, he loses the right for the option.

The option program participants cannot claim monetary compensation instead of proposed option.

25. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business

(a) Credit risk

The Group does not require collateral in respect of financial assets. The Group works with a majority of its customers on prepayment basis. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Carrying amount of the financial assets represents a maximum amount subjected to credit risk.

The maximum level of the credit risk was the following at the reporting date:

	Book value Mln RUR 2008	Book value Mln USD 2008	Book value Mln RUR 2007	Book value Mln USD 2007
Current financial assets				
Financial assets held-for-trade	-	-	533	22
Financial assets held-for-maturity	112	4	22	1
Loans granted	605	21	31	1
Trade and other receivables	691	24	413	17
Cash and cash equivalents	747	25	572	23
Non-current financial assets				
Available-for-sale investments	95	3	-	-
Loans granted	13	-	-	-
Total financial assets	**2,263**	**77**	**1,591**	**64**

Impairment losses on trade and other receivables

The aging of trade and other receivables at the reporting date was:

Mln RUR.	**Gross 2008**	**Reserve 2008**	**Gross 2007**	**Reserve 2007**
Not past due	487	-	233	-
Past due 1-180 days		-	2	-
Past due 180-365 days		-	2	-
More than one year	23	(23)	7	(7)
	510	(23)	244	(7)

млн. долл. США	**Gross**	**Reserve**	**Gross**	**Reserve**

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

	2008	2008	2007	2007
Not past due	17	-	9	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than 365 days	1	(1)	-	-
	17	(1)	9	-

The movements in the provision for impairment in respect of trade and other receivables during the year were as follows:

	2008 Mln RUR	2008 Mln USD	2007 Mln RUR	2007 Mln USD
Balance at 1 January	(7)	-	(2)	-
Increase in provision	(16)	(1)	(5)	-
Balance at 31 December 2008	(23)	(1)	(7)	-

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 90 days.

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more appropriate to the Group over the expected period to maturity. At 31 December 2008 the Group did not have financial assets or liabilities with variable interest rate:

	Mln RUR 2008	Mln USD 2008	Mln RUR 2007	Mln USD 2007
Financial instruments with fixed interest rate				
Financial assets	605	21	31	1
Financial liabilities	(494)	(17)	(55)	(2)
	111	4	(24)	(1)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

(c) Foreign currency risk

The Group incurs foreign currency risk primarily on financial assets, receivables, payables and borrowings denominated in a currency other than the functional currencies of the respective Group entities. The following table shows currencies, in which Group’s financial instruments are nominated:

Mln RUR	In RUR	In USD	In Pounds	In RUR	In USD	In EUR
	2008	2008	2008	2007	2007	2007
Current assets			-			-
Financial assets held-for-trade	-	-	-	-	553	-
Financial assets held-for-maturity	112	-	-	22	-	-
Loans granted	72	-	533	31	-	-
Trade and other receivables	691	-	-	281	132	-
Cash and cash equivalents	330	417	-	559	13	-
Non-current assets	-	-	-	-	-	-
Loans granted	3	10	-	-	-	-
Available-for-sale investments	-	95	-	-	-	-
Total assets	**1,208**	**522**	**533**	**893**	**698**	**-**
Current liabilities						
Trade and other payables	(1,555)	(146)	-	(728)	(186)	(5)
Loans and borrowings	(80)	(413)	-	(30)	(25)	-
Deferred liabilities on company acquisition	(23)	-	-	(41)	-	-
Total liabilities	**(1,658)**	**(559)**	**-**	**(799)**	**(211)**	**-**
	(450)	**(37)**	**533**	**94**	**487**	**(5)**

Mln USD	In RUR	In USD	In Pounds	In RUR	In USD	In EUR
	2008	2008	2008	2007	2007	2007
Current assets						
Financial assets held-for-trade	-	-	-	-	22	-
Financial assets held-for-maturity	4	-	-	1	-	-
Loans granted	2	-	18	1	-	-
Trade and other receivables	24	-	-	12	5	-
Cash and cash equivalents	11	14	-	22	1	-
Non-current assets	-	-	-	-	-	-
Loans granted	-	1	-	-	-	-
Available-for-sale investments	-	3	-	-	-	-

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Total assets	**41**	**18**	**18**	**36**	**28**	**-**
Current liabilities			**-**			**-**
Trade and other payables	(53)	(5)	-	(28)	(8)	-
Loans and borrowings	(3)	(14)	-	(1)	(1)	-
Non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Deferred liabilities on company acquisition	(1)	-	-	(2)	-	-
Total liabilities	**(59)**	**(19)**	**-**	**(31)**	**(9)**	**-**
	(18)	**(1)**	**18**	**5**	**19**	**-**

Management does not hedge the Group's exposure to foreign currency risk.

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

(d) Liquidity risk

The Group manages liquidity in order to assure access to liquid assets at any moment, when it is necessary to repay liabilities, through the policy of annual budgets, permanent monitoring of forecast and real cash flows and comparison of assets and liabilities' repayment schedules.

Classification of financial liabilities by the maturity date, excluding forecasted interest payments and the influence of cross-cancellation agreements:

	Average interest rate									
Mln RUR,2008	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%		1,701						1,701
Loans and borrowings	9-12%	9-12%	493	-						493
Deferred liabilities on company acquisition	5-12%	5-12%			23					23
Total liabilities			494	1,701	23	-	-	-	-	2,217

	Average interest rate									
Mln USD, 2008	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%	-	58	-	-	-	-	-	58
Loans and borrowings	9-12%	9-12%	17	-	-	-	-	-	-	17
Deferred liabilities on company acquisition	5-12%	5-12%	-	-	1	-	-	-	-	1
Total liabilities			17	58	1	-	-	-	-	75

	Average interest rate									
Mln RUR, 2007	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Trade and other payables	0%	0%	368	551						919
Loans and borrowings	9-12%	9-12%	20	35						55
Deferred liabilities on company acquisition	0%	6%	-	-	41	-	-	-	-	41
Total liabilities			388	586	41	-	-	-	-	1,015

	Average interest rate									
Mln USD, 2007	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%	15	21	-	-	-	-	-	36
Loans and borrowings	9-12%	9-12%	1	1	-	-	-	-	-	2
Deferred liabilities on company acquisition	0%	6%	-	-	2	-	-	-	-	2
Total liabilities			16	22	2	-	-	-	-	40

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Sensitivity analysis in 2008 year

		Interest risk (basis points)		Currency risk		Other price risk	
	Book value	+200	-200	+10%	-10%	+10%	-10%
Exposure to different types of risk, Mln RUR		Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)
Current assets							
Financial assets held-to-maturity	112	4	(4)	-	-		
Loans granted	605	17	(17)	60	(60)		
Trade and other receivables	691			-	-		
Cash and cash equivalents	747			42	(42)		
Non-current assets							
Loans granted	13						
Available for sale investments	95			10	(10)		
Impact on financial assets before income tax		**21**	**(21)**	**112**	**(112)**	**-**	**-**
Income tax (20%)		(4)	4	(22)	22	-	-
Impact on financial assets after tax		**17**	**(17)**	**90**	**(90)**	**-**	**-**
Current liabilities							
Trade and other payables	(1,701)						
Loans and borrowings	(493)	(9)	9	(41)	41		
Deferred consideration on acquisition of subsidiary	(23)	(1)	1				
Impact on financial liabilities before income tax		**(10)**	**10**	**(41)**	**41**	**-**	**-**
Income tax (20%)		2	(2)	8	(8)	-	-
Impact on financial liabilities after tax		**(8)**	**8**	**(33)**	**33**	**-**	**-**
Total increase/ (decrease)		**9**	**(9)**	**57**	**(57)**	**-**	**-**

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Exposure to different types of risk, Mln USD	Book value	Interest risk (basis points) +200 Income/ (Loss)	-200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	-10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	-10% Income/ (Loss)
Current assets							
Financial assets held-to-maturity	4	-	-	-	-	-	-
Loans granted	21	1	(1)	2	(2)	-	-
Trade and other receivables	25	-	-	-	-	-	-
Cash and cash equivalents	25	-	-	2	(2)	-	-
Non-current assets							
Loans granted	1	-	-	-	-	-	-
Available for sale investments	3	-	-	-	-	-	-
Impact on financial assets before income tax		**1**	**(1)**	**4**	**(4)**	**-**	**-**
Income tax (20%)		-	-	(1)	1	-	-
Impact on financial assets after tax		**1**	**(1)**	**3**	**(3)**	**-**	**-**
Current liabilities							
Trade and other payables	(58)	-	-	-	-	-	-
Loans and borrowings	(17)	-	-	(1)	1	-	-
Deferred consideration on acquisition of subsidiary							
Impact on financial liabilities before income tax	(1)	-	-	-	-	-	-
Income tax (20%)		**-**	**-**	**(1)**	**1**	**-**	**-**
Impact on financial liabilities after tax		-	-	-	-	-	-
Total increase/ (decrease)		**-**	**-**	**(1)**	**1**	**-**	**-**
Exposure to different types of risk, Mln RUR		**-**	**-**	**1**	**(1)**	**-**	**-**

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Sensitivity analysis in 2007 year

Exposure to different types of risk, Mln RUR	Book value	Interest risk (basis points) +200 Income/ (Loss)	Interest risk (basis points) -200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	Currency risk -10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	Other price risk -10% Income/ (Loss)
Current assets							
Financial assets held-for-trade	553	11	(11)	55	(55)	55	(55)
Loans granted	31	1	(1)	-	-		
Trade and other receivables	413			13	(13)		
Cash and cash equivalents	572			1	(1)		
Impact on financial assets before income tax		**12**	**(12)**	**69**	**(69)**	**55**	**(55)**
Income tax (24%)		(3)	3	(17)	17	(13)	13
Impact on financial assets after tax		**9**	**(9)**	**52**	**(52)**	**42**	**(42)**
Current liabilities							
Trade and other payables	(919)			(19)	19		
Loans and borrowings	(55)	(1)	1	(3)	3		
Non-current liabilities							
Deferred consideration on acquisition of subsidiary	(41)	(1)	1				
Impact on financial liabilities before income tax		**(2)**	**2**	**(22)**	**22**	**-**	**-**
Income tax (24%)		-	-	5	(5)	-	-
Impact on financial liabilities after tax		**(2)**	**2**	**(17)**	**17**	**-**	**-**
Total increase/ (decrease)		**7**	**7**	**35**	**(35)**	**42**	**(42)**

Exposure to different types of risk, Mln RUR	Book value	Interest risk (basis points) +200 Income/ (Loss)	Interest risk (basis points) -200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	Currency risk -10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	Other price risk -10% Income/ (Loss)
Current assets							
Financial assets held-for-trade	23	-	-	2	(2)	2	(2)

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

Loans granted	1	-	-	-	-	-	-
Trade and other receivables	17	-	-	1	(1)	-	-
Cash and cash equivalents	23	-	-	-	-	-	-
Impact on financial assets before income tax		**-**	**-**	**3**	**(3)**	**2**	**(2)**
Income tax (24%)		-	-	(1)	1	-	-
Impact on financial assets after tax		**-**	**-**	**2**	**(2)**	**2**	**(2)**
Current liabilities							
Trade and other payables	(36)	-	-	(1)	1	-	-
Loans and borrowings	(2)	-	-	-	-	-	-
Non-current liabilities							
Deferred consideration on acquisition of subsidiary	(2)	-	-	-	-	-	-
Impact on financial liabilities before income tax		**-**	**-**	**(1)**	**1**	**-**	**-**
Income tax (24%)		-	-	-	-	-	-
Impact on financial liabilities after tax		**-**	**-**	**(1)**	**1**	**-**	**-**
Total increase/ (decrease)		**-**	**-**	**1**	**(1)**	**2**	**(2)**

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

(e) Fair value

The Group estimates the fair value of its financial assets and liabilities to not be materially different from their current values. The estimate of fair value is intended to approximate the amount at which the instruments could be exchanged in a current transaction between willing parties, and is subject to management judgment and economic uncertainties.

In assessing fair values, management used the following major methods and assumptions:

Trade and other receivables and payables. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

26. Contingencies

(a) Insurance

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

(b) Litigation

The Group is involved in various claims and legal proceedings arising in the normal course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group transacts in the normal course of business with a variety of suppliers and intermediaries in which it does not hold any direct or indirect equity interest. The methods used by these entities to reduce taxes may be challenged by the tax authorities in Russia as they may view these methods as not being fully in compliance with the applicable tax legislation. As a consequence of the tax authorities’ practice, this may result in additional tax risks for the Group. Should these intermediaries be successfully challenged, the Group may become liable to additional tax payments, although management of these entities is primarily responsible for the correctness and timeliness of the entities' tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of the potential tax liabilities, which ultimately could be imposed on the Group as a result of transactions with such entities. However, if such liabilities were imposed, the amounts involved, including penalties and interest, could be material.

(d) Guarantee contingencies

As at 31 December 2008 the Group, represented by OOO «RBC Center», acts as a guarantor on loan given by ZAO «Royal Bank of Scotland» to OAO "RBC Information System". The sum of guarantee is amounted to 147 Mln RUR/5Mln USD (Note 28).

As at 31 December 2008 the Group, represented by OOO «RBC Center», acts as a guarantor on loan given by OJSC «Armada» to Art Technology Group. The sum of guarantee is amounted to 541 Mln RUR/18 Mln USD (Note 28).

27. Related party transactions

(a) Control

The Group has control over all of its subsidiaries (note 28).

The main shareholders are:

as at 31 December 2007 - German Kaplun, Alexander Morgulchik, Dmitry Belik;

as at 31 December 2008– ZAO "Depozitarno-Cliringovaya Companiya", Necommercheskoe Partnerstvo "Nacionalny depozitarny centre".

There were no transactions with related parties during 2008 year.

(b) Transactions with management and close family members

Management remuneration

During the year key management received the remuneration in the form of salaries and bonuses in amount of 108 million RUR/ USD 4 million, which are included in personnel costs (note 9b). Additionally, in 2008 there were in force option programs providing remuneration to key management by the shares of the Company (note 24).

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

28. Significant subsidiaries

	Country of incorporation	31 December 2008 Ownership
ZAO "RBC Soft"	Russia	100%
OOO "RBC Programniy product"	Russia	100%
ZAO "RBC Soft"	Russia	100%
OOO "RBC Center"	Russia	100%
ZAO "RBC Engineering"	Russia	100%
ZAO "Sojuzinform"	Russia	55,01%
ZAO "PM Expert"	Russia	50,01%
OOO "ETS"	Russia	51%
OOO "RBC Inform"	Russia	51%
OOO "RBC Tehnologii"	Russia	51%
OOO "Helios Computer"	Russia	51%
OOO " Dom dlya PC "	Russia	100%
«Helios IT OPERATOR Limited»	British Virgin Islands (BVI)	51%

«Helios IT OPERATOR Limited» is controlled by the Group under the option agreement dated on 27 December 2007. The option agreement duration is till 31 December 2010.

29. Events subsequent to the balance sheet date.

1) Loans issued by OAO "Armada" to Art Technology Group for the total amount of 481 Mln RUR/16.4 Mln USD, with the maturity dates on 1 March and 30 August 2009, have not been redeemed in time and are overdue. The accrued interest in the sum of 52.4 Mln RUR/1.8 Mln USD was not received.

   On 23 March 2009 the Group, represented by OAO "Armada", issued a claim to Arbitration Court of Moscow on collection of loans and accrued interests with penalties, given to Art Technology Group, from acting as guarantor OOO "RBC Centre". The total amount of the claim is 541 Mln RUR./18 Mln USD.

   The Court decision to satisfy OAO "Armada" claims in full is already made. The appeal against court decision has not been made.

   Management assesses the probability of redemption of the loan issued to Art Technology Group as high. The assessment is based on the guarantee letter from Art Technology Group on recognition of liability to repay the cash to OOO "RBC Centre".

The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).

2) On 10 February 2009 the creditor ZAO "Royal Bank of Scotland" filed a lawsuit in Arbitration court of Moscow on debt loan and interest collection from borrower OOO "RBC Information System" and acting as guarantor OOO "RBC Centre". The sum of lawsuit is 147 Mln RUR/5 Mln USD.

   On 18 June 2009 Arbitration court of Moscow made a decision to collect the debt in full jointly from the borrower and the guarantor.

3) The following subsidiaries were renamed during the 2009 year:

   - On 3 April 2009 OOO "RBC Programniy Product" was renamed to OOO "Programniy Product"

   - On 6 April 2009 ZAO "RBC Soft" was renamed to ZAO "Armada Soft";

   - On 14 July 2009 ZAO "RBC Engineering" was renamed to ZAO "IT Engineering"