Group OJSC "Armada”

Consolidated financial statements,
prepared in accordance with
International Financial Reporting Standards (IFRS)
for the year ended 31 December 2011

	Note	2011 mln RUR		2010 mln RUR		2011 mln USD*		2010 mln USD*	
Revenue	6	4 656		3 656		145		114	
Cost of sales	7	(3 869)		(3 032)		(120)		(94)	
Gross profit		787		624		24		19	
Distribution expenses	9	(19)		(24)		(1)		(1)	
Administrative expenses	10	(296)		(228)		(9)		(7)	
Other income/ (expenses)	8	(20)		37		(1)		1	
Financial income/ (expenses)	11	84		18		3		1	
Profit before income tax		536		427		17		13	
Income tax (expense)/ benefit	12	(44)		(50)		(1)		(2)	
Profit for the year		492		377		15		12	
Attributable to:									
Shareholders of the Company		348		344		11		11	
Non-controlling interest		144		33		4		1	
Total comprehensive income		492		377		15		12	
Attributable to:									
Shareholders of the Company		348		344		11		11	
Non-controlling interest		144		33		4		1	
Basic and diluted earnings per share									
Basic earnings per share		27,08	RUR	30.05	RUR	0,84	USD	0.93	USD
Diluted earnings per share		26,81	RUR	29.04	RUR	0,83	USD	0.90	USD

	Note	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	14	57	59	2	2
Intangible asssets	13	990	589	31	18
Loans		10	12	-	-
Investments		-	5	-	-
		1 057	666	33	20
Current assets					
Inventories	15	426	325	13	10
Other investments ST		-	4	-	-
Loans		40	56	1	2
Trade and other receivables	17	1 800	1 074	56	33
Cash and cash equivalents	18	1 215	526	38	16
Total current assets		3 481	1 985	108	61
Total assets		4 538	2 651	141	81
EQUITY AND LIABILITIES					
Equity	19				
Share capital		14	12	-	-
Share premium		1 651	753	51	23
Treasury shares		(217)	-	(7)	-
Foreign currency translation reserve		3	1	-	-
Retained earnings		669	324	21	10
Total equity attributable to shareholders of the Company		2 120	1 090	65	33
Non-controlling interest		424	141	13	4
Total equity		2 544	1 231	78	37
Non-current liabilities					
Deferred tax liabilities		144	70	4	2
		144	70	4	2
Current liabilities					
Loans and borrowings ST		256	92	8	3
Deferred income		40			
Trade and other payables	20	1 546	1 246	48	39
Income tax payable		8	11	-	-
Provisions		-		-	-
		1 850	1 349	56	42
Total liabilities		1 994	1 419	60	44
Total equity and liabilities		4 538	2 650	138	81

	2010 mln RUR	2009 mln RUR	2010 mln USD*	2009 mln USD*
OPERATING ACTIVITIES				
Profit before income tax	535	427	17	13
Adjustments for:				
Depreciation and amortisation	109	27	3	1
Unrealised foreign exchange (gain) / loss		(1)	-	-
(Gain)/ loss on disposal of PPE	(1)	(1)	-	-
(Gain)/ loss on disposal of materials	(1)		-	-
(Gain)/loss on trade payables writing off	(4)	(13)	-	-
Share option program compensation expense	-	65	-	2
Reversal of Clients' base impairment		(30)		(1)
Change in provision for bad debts		(1)	-	-
Interest expense	46	24	1	1
Interest income	(36)	(42)	(1)	(1)
Other non-cash items, net	(46)	-13		0
Operating profit before changes in working capital and provisions	602	455	20	15
(Increase)/decrease in inventories	(101)	32	(3)	1
(Increase)/decrease in trade and other receivables	(694)	(209)	(22)	(6)
Increase/ (decrease) in trade and other payables	475	(36)	15	(1)
Cash flows from operations before income taxes and interest paid	282	242	10	9
Income taxes paid	(45)	(24)		(1)
Interest paid	(44)	(29)		(1)
Cash flows from operating activities	193	189	10	7

	2010 mln RUR	2009 mln RUR	2010 mln USD*	2009 mln USD*
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	5	-	-
Proceeds from disposal of other investments			-	-
Loans granted	(695)	(12)	(22)	-
Repayment of loans granted	686		21	-
Interest received	19		1	-
Acquisition of property, plant and equipment	(18)	(19)	(1)	(1)
Payments for business combinations of previous years	(45)		(1)	-
Acquisition of intangible assets	(77)	(126)	(2)	(4)
Proceeds from disposal of subsidiaries net of cash disposed	4			
Acquisition of subsidiaries, net of cash acquired	(145)	(111)	(5)	(3)
Dividends paid	-	(3)	-	-
Cash flows utilised in investing activities	(271)	(266)	(9)	(8)
FINANCING ACTIVITIES				
Proceeds from issue of share capital, net of transaction costs	635		20	-
Payments for share options	40			
Proceeds from borrowings	256	99	8	3
Repayment of borrowings	(164)	(13)	(5)	-
FOREX	5			
Cash flows from financing activities	767	86	23	3
Net increase in cash and cash equivalents	689	9	24	2
Cash and cash equivalents at beginning of year	526	517	16	16
Cash and cash equivalents at the end of year	1 215	526	40	16

mln RUR	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Share capital	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**		
Balance as at 1 January 2010	12	689	-	1	(20)	682	111	793
Profit (loss) for the year					344	344	33	377
Foreign currency translation difference				-		-		-
Total recognized income and expenses for the period	-	-	-	-	344	344	33	377
Share option program compensation gain (loss)		65				65		65
Transaction costs		(1)				(1)		(1)
Treasury shares sale						-		-
Dividends paid					-	-	(3)	(3)
Balance as at 31 December 2010	12	753	-	1	324	1 090	141	1 231

	Attributable to shareholders of the Company							
mln RUR	**Share capital**	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2011	12	753	-	1	324	1 090	141	1 231
Profit (loss) for the year					353	353	144	497
Reserves				2		2		2
Total recognized income and expenses for the period	-	-	-	2	353	355	144	499
Shares issued	2	875				877		877
Share option program compensation gain (loss)		13				13		13
Transaction costs		(33)				(32)		(32)
Sale of treasury shares					40	40		40
Purchase of treasury shares			(217)			(217)		(217)
Acquisition of subsidiary							138	138
Disposal of subsidiary					(5)	(5)	1	(4)
Balance as at 31 December 2011	14	1 608	(217)	3	712	2 120	424	2 544

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 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: LLC "RBC Center”, "RBC Programmniy Produkt”, "Dom dlya PC”, CJSC "RBC Soft”, CJSC "RBC Soft”, CJSC "RBC Engineering” , LLC "Helios Computer”.

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

The company's legal address is: Russian Federation, Moscow, Donskoy proezd, 5, building 6.

b) Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition laws and regulations, including interpretations, enforcement and judicial processes, continue to evolve in Russia

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. The Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies

Management of the Group believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that include International Accounting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period.

b) Basis of measurement

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

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 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 that is not part of the consolidated financial statements in compliance with IFRS has been prepared for the convenience of users of the financial statements. Supplementary information is displayed in USD and translated at closing rate as at 31 December 2011 (RUR 32.1961 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 3 (d) – intangible assets;
- Note 3 (d) – estimation of goodwill impairment;
- Note 3 (j) – tax liabilities reserve;
- Note 8 – share options;

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

i. Subsidiaries

Subsidiaries of the Group are those companies, in which the Group has the power to govern the financial and operating policy to obtain benefits from their activities.

The consolidated financial statements of the Group show 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 non-controlling parties is presented separately in the Statement of Financial Position and Statement of Comprehensive Income.

For acquisition of subsidiaries 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. The date of acquisition is the date, at which the Group obtains control over the acquire. 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

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 (OJSC "RBC Informazionnye Systemy”- the company, which were under control of those shareholders, who controlled the Group), were preparing financial statements under IFRS for consolidation purposes, all assets and liabilities were recognized in the estimations, under which were included in the consolidated financial statements of the RBC group. Accounts receivable and accounts payable 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 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 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 and also its share in the profits and losses and share in change in other comprehensive income from the date of acquisition.

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.

b) Foreign currency

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.

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(l).

ii. Held-to-maturity financial assets

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. Accounts Receivables and Loans

Accounts Receivables and Loans are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried 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.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

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.

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 for impairment at each reporting date. For the purpose 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 non-controlling interest at the date of acquisition of an additional interest in subsidiaries are recognized in goodwill.

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, it is probable that economic benefits will flow to the entity, and the Group intends to complete the process of working. 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.

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.

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	Indefinite
Customer lists	2-4 years, indefinite

In 2011 and 2010 the Management of the Group having analyzed relevant technological, economic and other relevant factors assessed useful lives of capitalized developments costs to be indefinite.

viii. Impairment

Intangible assets with indefinite useful life are tested for impairment if there are indications of impairment and at each reporting date.

g) Inventories

Inventories are valued at the lower of costs and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses and costs to complete.

The cost of inventories is based on the weighted average basis 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 services 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.

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 is recognized to the extent that it is probable that economic benefits will flow to the Group and that revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the considerations received of receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements.

I. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on deliver of goods.

II. Rendering of services

Revenue from services is recognized by reference to stage of completion

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) 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.

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) Operating segments

Segment information is based on management internal reporting. General director is the operation manager on segments. Operation manager receives reports and makes operational decisions on each segment. Operation manager determines three reporting segments: software, hardware and system integration.

q) New Standards and Interpretations

The following IFRS and IFRIC issued, but not acting as at 31 December 2011, were not considered in these Consolidated Financial Statements

IFRS and IFRIC	Application to annual Financial Statements beginning on or after
IFRS 9 "Financial Instruments: classification and Measurement»	1 January 2013

4. SEGMENT REPORTING

Segment information is based on internal management reporting. The information on each segment is prepared separately. Each segment presents a consolidated data of the Group, as the companies are operating in more than one segment.

The General Director is the operation manager on segments. Operation manager receives reports and makes operational decisions on each segment.

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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) Reporting segments

The Group comprises the following main reporting segments:

Software development. Development, manufacturing and sale of software.

IT services. IT outsourcing, System integration, Consulting, Project management, Education

mln RUR	Software 2011	Software 2010	IT services 2011	IT services 2010	Intersegment 2011	Intersegment 2010	Consolidated 2011	Consolidated 2010
Revenue from external customers	2 082	1 348	2 574	2 308			4 656	3 656
Intersegment revenue		5	-			(5)	-	-
Total segment revenue	2 082	1 353	2 574	2 308	-	(319)	4 656	3 106
Gross margin	393	480	402	144		-	795	624
Depreciation/Amortization	84	10	25	17	-	-	109	27
Segment assets	2 029	1 169	2 510	1 456		-	4 539	2 625
Segment liabilities	892	1 152	785	782		-	1 676	1 934

mln USD*	Software 2011	Software 2010	IT services 2011	IT services 2010	Intersegment 2011	Intersegment 2010	Consolidated 2011	Consolidated 2010
Revenue from external customers	68	44	84	76	-	-	153	120
Intersegment revenue	-	-	-	-	-	-	-	-
Total segment revenue	68	44	84	76	-	(10)	153	102
Gross margin	13	16	13	5	-		26	20
Depreciation/Amortization	3	0	1	1	-	-	4	1
Segment assets	67	38	82	48	-	-	149	86
Segment liabilities	29	38	26	26	-	-	55	63

5. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of LLC “Metatechnology”

On February 8, 2010 the Group obtained control over business of LLC Metatechnology (software development company) by entering into the option agreement for acquisition of 100% shares for total consideration of RUR 121 mln. (USD* 3.9 mln.) of which RUR 29 mln. (USD* 0.9 mln.) is fair value of the consideration paid in contingency of net profits of the acquired company in 2011-2014 years. As at the acquisition date the management of the Group estimated the range of possible annual profits to be from RUR 15 mln. (USD* 0.5 mln.) to RUR 45 mln. (USD* 1.5 mln.) during the next 4 years.

As at February 8, 2010 the fair values of the assets and liabilities of the acquired business were as follows:

	Fair value, mln.RUR.	Fair value, mln.USD*
Intangible assets	68	2
Work in progress	4	0
Short-term loans given	10	0
Trade receivables	1	0
Other receivables	3	0
Trade payables	-11	0
Short-term loans payable	-1	0
Taxes payable other than income tax	-3	0
Fair values of net assets acquired	82	2.7
Consideration	121	3.6
Goodwill recognised	52	1.7

Management estimates goodwill amounted RUR 52 mln (USD* 1.7 mln) to represent expected synergies between developed software of the acquiree and the acquirer’s and will lead to increase in revenues of the Group. Goodwill was allocated to software development operating segment.

The Group included RUR 33 mln (USD* 1mln.) of revenues and RUR 13 mln. (USD* 0.4 mln.) of net profits in its Consolidated Financial Statements for 2010 year. It is impracticable to determine revenues and profits of the combined entity as though the combination had occurred as of the beginning of 2010 year since LLC “Metatechnology” had not been preparing IFRS statements before the acquisition.

(b) Establishment and increase in share in CJSC “PM Expert”

In August 2007 the Group participated in establishment of CJSC "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 CJSC "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 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. As at 31 December 2009 the method of calculation was changed in accordance with additional agreement. The second part of payment is based now on expected profit for the year 2010 and was amounted to 6 Mln RUR/0.2 Mln USD.

(c) Disposal of LLC “Programniy Product”

On 28 September 2009 LLC “Programniy Product” was disposed from the Group. The influence of disposal on financial statements is immaterial. As a result of disposal was recognized loss in the amount of 12 thousand rubles / USD* 400.

(d) Acquisition of LLC “Post Modern Technology”

On May 11, 2011 the Group obtained control over business LLC Post Modern Technology (software development company) by acquisition of 51% shares for total consideration of RUR 153 mln./ (USD* 4 mln

As at May 11, 2011 the fair values of the assets and liabilities of the acquired business were as following:

	Fair value, RUR mln.	Fair value, USD mln.
Intangible assets	362	11
Tangible assets	1	0
Short-term loans given	1	0
Inventories	1	0
Other receivables	2	0
Taxes payable other than income tax	-6	0
Other payables and accrued expenses	-12	0
Deferred taxes	-72	2
Fair values of net assets acquired	277	3
Consideration net of cash equivalents acquired	151	4
Goodwill	10	1
Non-Controlling interest	135	4

The Group included RUR104 mln of revenues and RUR 25 mln of net profits in its Consolidated Financial Statements for 2011 year. It is impracticable to determine revenues and profits of the combined entity as though the combination had occurred as of the beginning of 2011 year since OOO Post Modern Technology had not been preparing IFRS statements before the acquisition.

Goodwill represents future synergies of complementary software developments and is allocated to software development and sales’ CGU.

Non-controlling interest was determined based on share in fair value of net assets of acquire as at date of business combination.

6. REVENUE

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Software	2 082	1 348	65	42
IT services	2 574	2 308	80	72
	4 656	3 656	145	114

7. COST OF SALES

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Cost of goods sold	(1 561)	(1 366)	(48)	(42)
Subcontractors services	(1 354)	(1 110)	(42)	(34)
Materials	(178)	(37)	(6)	(1)
Salary and UST	(277)	(250)	(9)	(8)
Software	-	-	-	-
Amortization of intangible assets	(83)	(6)	(3)	-
Depreciation of fixed assets	(26)	(21)	(1)	(1)
Business trips expenses	(10)	(9)	-	-
Licenses	(172)	(180)	(5)	(6)
Construction costs	(165)	-	(5)	-
Other expenses	(43)	(53)	(1)	(2)
	(3 869)	(3 032)	(120)	(94)

8. OTHER INCOME/(EXPENSES)

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Rent income	2	8	0	0
Penalties	-	1	0	0
Write-off accounts payable	4	13	0	0
Disposal of fixed assets	2	1	0	
Income on exceed of acquired share in subsidiary on investment	-	-	0	0
Reversal of Clients base impairment	-	30	0	1
Other operating income	15	4	0	0
	23	57	-	2

Other expenses	**2011** **mln RUR**	**2010** **mln RUR**	**2011** **mln USD***	**2010** **mln USD***
Accounts receivable written off	(19)	(2)	(1)	-
Penalties	(3)	(9)	-	0
Disposal of Fixed assets	(1)	-	-	-
Other operational expenses	(20)	(8)	(1)	-
Gain/ (loss) from disposal of inventories	-	-	-	-
	(43)	(19)	(1)	(1)

9. DISTRIBUTION EXPENSES

	2011 **mln RUR**	**2010** **mln RUR**	**2011** **mln USD***	**2010** **mln USD***
Advertising	(1)	(9)	-	-
Transport expenses	(17)	(14)	(1)	-
Other distribution expenses	(1)	(1)	-	-
	(19)	(24)	(1)	-

10. ADMINISTRATIVE EXPENSES

	2011 **mln RUR**	**2010** **mln RUR**	**2011** **mln USD***	**2010** **mln USD***
Employee benefits	(133)	(101)	(4)	(3)
Rent expenses	(61)	(49)	(2)	(2)
Materials	(10)	(12)	-	-
Internet, communications	(9)	(11)	-	-
Consulting	(14)	(13)	-	-
Bank charges	(7)	(5)	-	-
Insurance	(4)	(4)	-	-
Taxes other than income tax	(9)	(4)	-	-
Other administrative expenses	(49)	(29)	(2)	(1)
	(296)	(228)	(8)	(6)

11. FINANCIAL INCOME AND EXPENSES

Financial income	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Interest income	36	69	1	2
Other financial income	51	-	2	-
Net Forex gain/ (loss)	43	45	1	1
	130	114	4	3
Financial expenses				
Interest expense	(46)	(21)	(1)	(1)
	(46)	(21)	(1)	(1)

12. INCOME TAX EXPENSE

The Group's applicable tax rate is 20%. The subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. The income earned by entities incorporated in Panama is not currently subject to income tax.

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Profit(loss) before income tax	535	427	17	13
Income at apllicable tax rate (20%)	(107)	(85)	(3)	(3)
Tax effect of non-deductible expenses/income	94	(5)	3	-
Tax effect of lower tax rates	15			
Tax effect of non-taxable income	(46)	39	(1)	1
	(44)	(51)	(1)	(2)

13. INTANGIBLE ASSETS

mln RUR	Software	Web-sites	Licenses	Capitalized development costs	Brands	Goodwill	Other assets	Clients base	Total
Cost									
Balance at 1 January 2010	67	1	12	419	49	223		487	1 258
Additions				151	-	-	34	-	185
Acquisitions through business combinations				68		52			120
Reversal of impairment	-	-	-	-	-	-		30	30
Balance at 31 December 2010	67	1	12	638	49	275	34	517	1 593
Balance at 1 January 2011	67	1	12	638	49	275	34	517	1 593
Additions	16	1		95			-		111
Reclassifications	221			(221)					-
Acquisitions through business combinations				360		10			371
Reversal of impairment									-
Disposals									-
Balance at 31 December 2011	304	2	12	872	49	285	34	517	2 075

Amortization									-
Balance at 1 January 2010	(65)	-	(1)	(273)	(25)	(187)		(446)	(997)
Amortization for the period	(4)	-			-	-	(2)	-	(6)
Impairment	-	-	-	-					-
Disposals									-
Balance at 31 December 2010	(69)	-	(1)	(273)	(25)	(187)	(2)	(446)	(1 003)
Balance at 1 January 2011	(69)	-	(1)	(273)	(25)	(187)		(446)	(1 001)
Amortization for the period	(77)	-					(6)		(83)
Balance at 31 December 2011	(146)	-	(1)	(273)	(25)	(187)	(6)	(446)	(1 084)
Net book value									-
As at 1 January 2010	2	1	11	146	24	36	-	41	261
As at 31 December 2010	(2)	1	11	365	24	88	32	71	590
As at 31 December 2011	158	2	11	599	24	98	28	71	990

(a) Amortization charge

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

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

The list of Group's Intangible assets with indefinite useful lives is :

- Capitalised development costs

Impairment testing of capitalized development costs was based on determination of value in use, revenue growth rate was assumed to be 28% in 2012, 26% in 2013 and 25%, 23%, 22% in 2014, 2015, 2016 respectively. Terminal value was estimated on 5% annual growth starting from 2017. Weighted average cost of capital was estimated at 13.5%.

Impairment testing of capitalized development costs signifies no impairment of capitalized development costs

- Clients base

As at 31 December 2010 the Group assessed factors that led to impairment of Clients base of Sojuzinform in previous years , new cashflow projections were based on revenues from customers for the period 2011-2015 with 0% growth retae and terminal value estimated on 2% growth rate. Weighted average cost of capital ofSojuz-inform is equal to 13.5%.

Impairment testing led to reversal of previously recognized impairment of Clients base in amount of 30 mln.RUR /*USD mln 0.9.

14. PROPERTY, PLANT AND EQUIPMENT

mln RUR	Hardware	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2010	89	44	22	1	156
Additions	4	8	7	-	19
Disposals	-		(3)	-	(3)
Balance at 31 December 2010	93	52	26	1	172
Balance at 1 January 2011	93	52	26	1	172
Additions	15	8	4	1	28
Disposals	(0)	(0)	(6)	(0)	(6)
Balance at 31 December 2011	108	60	24	2	194
Depreciation					
Balance at 1 January 2010	(57)	(23)	(9)	(1)	(90)
Depreciation for the period	(5)	(12)	(4)	-	(21)
Disposals	-	-	1	-	1
Balance at 31 December 2010	(62)	(35)	(12)	(1)	(110)

Balance at 1 January 2011	(62)	(35)	(12)	(1)	(110)
Depreciation for the period	(17)	(4)	(6)	(0)	(27)
Disposals			-		-
Balance at 31 December 2011	(79)	(39)	(18)	(1)	(137)
Net book value					
As at 1 January 2010	32	21	13	1	67
As at 31 December 2010	31	17	14	-	62
As at 31 December 2011	31	20	7	0	57

Mln USD*	Hardware	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2010	3	1	1	0	5
Additions	0	0	0	0	1
Disposals	0	0	0	0	0
Balance at 31 December 2010	3	2	1	0	5
Balance at 1 January 2011	3	2	1	0	5
Additions	1	0	0	0	1
Disposals	0	0	0	0	0
Balance at 31 December 2011	3	2	1	0	6
Depreciation					
Balance at 1 January 2010	(2)	(1)	(0)	(0)	(3)
Depreciation for the period	(0)	(0)	(0)	-	(1)
Disposals	-	-	0	-	0
Balance at 31 December 2010	(2)	(1)	(0)	(0)	(3)
Balance at 1 January 2011	(2)	(1)	(0)	(0)	(3)
Depreciation for the period	(1)	(0)	(0)	(0)	(1)
Disposals	-	-	-	-	-
Balance at 31 December 2010	(2)	(1)	(1)	(0)	(4)

Net book value					
As at 1 January 2010	1	1	0	0	2
As at 31 December 2010	1	1	0	-	2
As at 31 December 2011	1	1	0	0	2

15. INVENTORIES

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Goods for resale	169	239	5	0
Work in progress	249	84	8	3
Raw materials and consumables	6	2	0	7
Finished goods	2	-	-	-
	426	325	13	10

16. CONSTRUCTION CONTRACTS

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Contract revenue recognised	230	-	7	-
Contract costs incurred	-165	-	(5)	-
Recognised profits less recognised losses	65	35	2	1
Advances received from customers	237	-	7	-

17. TRADE AND OTHER RECEIVABLES

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Trade accounts receivable	1 198	786	37	24
Advances issued	365	158	11	5
VAT receivable	87	28	3	1
Prepaid expenses	18	17	1	1
Other receivables	152	109	5	3
	1 820	1 098	57	34

Provision for doubtful debtors	(20)	(24)	(1)	(1)
	1 800	1 074	56	33

18. CASH AND CASH EQUIVALENTS

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Cash in bank and in hand	1 215	526	38	16
Cash and cash equivalents in the statement of cash flows	1 215	526	38	16

19. EQUITY

a) Share capital and share premium as at 31 December 2010

	Ordinary shares Quantity	mln RUR	mln USD*
Authorized shares	12 000 000	12	-
Par value	RUR 1		
Issued at the beginning of year	12 000 000	12	-
Treasury shares	(435 001)	(0)	-
Shares issued during the year and fully paid	-	-	-
Issued as at end of the year and fully paid	11 564 999	12	12

Share capital and share premium as at 31 December 2011

	Ordinary shares Quantity	mln RUR	mln USD*
Authorized shares	12 000 000	12	-
Par value	RUR 1		
Issued at the beginning of year	12 000 000	12	-
Issued during the year	2 399 997	2	
Treasury shares	(780 690)	(217)	(-7)
Shares issued during the year and fully paid	-	-	-
Issued as at end of the year and fully paid	13 619 307	(203)	(7)

b) Treasury shares

As at 31 December 2011 and 31 December 2010 the Group held 780 690 and 435 001 of its own shares respectively.

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 2011 year the dividends for the year 2010 were not paid

20. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 December 2011 was based on the net profit for the year and the weighted average number of ordinary shares outstanding during 2011 calculated as follows:

In thousand of shares	**2011**
Ordinary shares as at 1 January	11 565
Effect of shares issued (April 2011)	2 400
Effect of treasury shares purchased (April 2011)	-590
Effect of share options realized (July 2011)	110
Effect of share options realized (September 2011)	134
Weighted average number of ordinary shares for the year	**12 851**

The Group has dilutive potential ordinary shares under the option programs (note 8).

21. TRADE AND OTHER PAYABLES

	2011 mln RUR	2010 mln RUR	2011 mln USD*	2010 mln USD*
Trade accounts payable	769	813	24	25
Advances received	556	169	17	5
Other taxes payable	71	35	2	1
Other payables and accrued expenses	150	229	5	7
	1 546	1 246	48	38

22. SHARE OPTIONS

In July 2007 the Compensation committee of the Group set up an option programme for the members of Board of directors and senior management.

Under the program, members of the Board of Directors had 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 of a share, which equalled to 494 RUR/*USD 16 per share.

The participants of the program, at their decision, could exercise 1/3 of share options any time after expiration of 1 year of 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 the participant of the option program ceased to be Board of Directors member any time during the 3-year period, he is entitled to1/3 of the maximum share options – for one year of service, 2/3 of the maximum for 2 years’ service and full amount of share options for 3 years’ service.

The option program participants were not entitled to cash settlement alternative.

In February 2010 the Board of directors approved the change in exercise price from 494 RUR/USD* 16 per share to 250 RUR/USD* 8.2 per share and established the new term of share option exercise to be not earlier than 30 April 2011.

In 2011 the Group transferred 244 158 shares to participants of the share program for total consideration amounted RUR 40 mln/ USD* 1 mln

In January 2011 the Board of Directors approved another option program for top-managers. Under this program within a 2-year period top-managers of the Group, provide that they continue achievement of specified strategic KPI’s of the Group, have an option to obtain up to 130,000 shares for free. The participants of the program are not entitled to cash-settlement alternative.

In 2010 the Group estimated top-managers compensation expense of RUR 13 million/USD*0.4 million per year as follows:

- The Group has determined fair values of the share option program at the grant date as RUR 207.4/USD* 6.8 for two-years vesting periods
- The fair values of share options have been determined using Black-Scholes option pricing model, on the following assumptions: interest risk free-rate – 6%, dividend yield – 0% and annual volatility -30%.
- Management of the Group estimates that all participants will exercise their share options.

23. 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.

24. RELATED PARTIES TRANSACTIONS

(a) Control

The Group has control over all of its subsidiaries (note 25).
The main shareholders are:
as at 31 December 2011– CJSC “Depozitarno-Cliringovaya Companiya”, Necommercheskoe Partnerstvo “Nacionalny depozitarny centre”.
as at 31 December 2010– CJSC “Depozitarno-Cliringovaya Companiya”, Necommercheskoe Partnerstvo “Nacionalny depozitarny centre”.
There were no transactions with these related parties during 2011 year.

(b) Transactions with management and close family members

During the year key management received the remuneration in the form of salaries and bonuses in amount of 41 mln.RUR /* USD 1.2 mln. (2010 - 13 million RUR/ USD 0.4 million), which are included in personnel costs.

25. SIGNIFICANT SUBSIDIARIES

	Effective ownership
LLC “RBC Soft”	100%
CJSC “Armada Soft”	100%
LLC “RBC Center”	100%
CJSC “IT Engeneering”	100%
CJSC “Sojuzinform”	55.01%
CJSC “PM Expert”	50.01%
LLC “Post Modern Technology”	51%
LLC “HeliosComputer”	51%
Commercial Alliance	100%

26. FINANCIAL INSTRUMENTS

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

I. <u>Credit risk</u>

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.

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 2011	Book value mln RUR 2010	Book value mln USD* 2011	Book value mln USD* 2010
Current financial assets				
Loans granted	41	56	1	2
Trade and other receivables	1 800	1 074	56	33
Cash and cash equivalents	1 215	526	38	16
Non-currents financial assets				
Investments in associates	-	5	-	-
Loans granted	10	13	-	-
	3 066	1 674	95	51

II. <u>Impairment losses on trade and other receivables</u>

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

mln.RUR	Gross 2011	Reserve 2010	Gross 2011	Reserve 2010
Not past due	1 770	-	1 044	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	30	(39)	30	(24)
	1 800	(39)	1 074	(24)

mln.USD*	Gross 2011	Reserve 2010	Gross 2010	Reserve 2010
Not past due	55	-	32	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	1	(1)	1	(1)
	56	(1)	33	(1)

III. <u>Interest rate risk</u>

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 2009 the Group did not have financial assets or liabilities with variable interest rate:

Financial instruments with fixed interest rate	mln RUR 2011	mln RUR 2010	mln USD* 2010	mln USD* 2010

Financial assets	51	68	2	2
Financial liabilities	(256)	(92)	(8)	(3)
Total	(205)	(24)	(6)	(1)

IV. 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

Foreign currency risk

mln RUR	In RUR 2011	In USD 2011	In RUR 2010	In USD 2010
Current assets				
Loans granted	41		56	
Trade and other receivables	1 800		1 000	74
Cash and cash equivalents	1 211	4	524	2
Non-current assets				
Loans granted	-1	11		11
Investments in associates	0		5	
Total assets	3 051	15	1 585	87
Trade and other payables	(1 546)		(1 261)	(77)
Loans and borrowings	(256)		(92)	
Total liabilities	(1 802)	-	(1 353)	(77)
Total	1 249	15	232	10

mln.USD*	In RUR 2011	In USD 2011	In RUR 2010	In USD 2010
Current assets				
Loans granted	1	-	2	-
Trade and other receivables	56	-	31	2
Cash and cash equivalents	38	-	16	-
Non-current assets				
Loans granted	-	-	-	-
Investments in associates	-	-	-	-
Total assets	95	0	49	2
Trade and other payables	(48)	-	(39)	(2)
Loans and borrowings	(8)	-	(3)	-
Total liabilities	(56)	-	(42)	(2)
Total	39	-	7	-

V. 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.

Liquidity risk

mln RUR, 2011	Contract	Effective	0-6 months	6-12 months	1-2 years	More than 2 years
Trade and other payables	-	-	-	1 546	-	-
Loans and borrowings	-	-	256	-	-	-
Total payments	0	0	256	1 546	0	0

mln.USD*, 2011	Contract	Effective	0-6 months	6-12 months	1-2 years	More than 2 years
Trade and other payables	-	-	-	48	-	-
Loans and borrowings	-	-	8	-	-	-
Total payments	0	0	8	48	0	0

mln.RUR, 2010						
Trade and other payables	-	-	-	1 246	7	15
Loans and borrowings	-	-	92	-	-	-
Total payments	0	0	92	1 246	7	15

mln.USD*, 2010						
Trade and other payables	-	-	-	39	0	0
Loans and borrowings	-	-	3	-	-	-
Total payments	0	0	3	39	0	0

Sensitivity analysis in 2011

2011 Exposure to different types of risk mln RUR	Book value	Interest risk (basis points) +200 Income/ (Loss)	-200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	-10% Income/ (Loss)
Current assets					
Financial assets held to matutity	-	-	-	-	-
Loans granted	41	-	-	-	-
Trade and Other receivables	1 800	-	-	-	-
Cash and cash equivalents	1 215	-	-	-	-
Non-current assets					
Loans granted	10	-	-	-	-
Investment in associate	-	-	-	-	-
Impact on financial assets before income tax		-	-	-	-
Income tax (20%)		-	-	-	-
Impact on financial assets after tax		-	-	-	-
Current liabilities					
Trade and other payables	(1 546)	-	-	-	-
Loans and borrowings	(256)	-	-	-	-
Impact on financial liabilities before income tax		-	-	-	-
Income tax (20%)		-	-	-	-
Impact on financial liabilities after tax		-	-	-	-
Total increase/(decrease)		-	-	-	-

2011 Exposure to different types of risk mln USD*					
Current assets					
Financial assets held to matutity	-	-	-	-	-
Loans granted	1	-	-	-	-
Trade and Other receivables	56	-	-	-	-
Cash and cash equivalents	38	-	-	-	-
Non-current assets					
Loans granted	-	-	-	-	-
Investment in associate	-	-	-	-	-

Impact on financial assets before income tax	-	-	-	-	-
Income tax (20%)	-	-	-	-	-
Impact on financial assets after tax	-	-	-	-	-
Current liabilities					
Trade and other payables	(48)	-	-	-	-
Loans and borrowings	(8)	-	-	-	-
Impact on financial liabilities before income tax	-	-	-	-	-
Income tax (20%)	-	-	-	-	-
Impact on financial liabilitites after tax	-	-	-	-	-
Total increase/(decrase)	-	-	-	-	-

2010 Exposure to different types of risk		Interest risk (basis points)		Currency risk	
mln RUR	Book value	+200 Income/ (Loss)	-200 Income/ (Loss)	+10% Income/ (Loss)	-10% Income/ (Loss)
Current assets					
Financial assets held to maturity	4	-	-	-	-
Loans granted	56	12	(12)	-	-
Trade and Other receivables	1 074	-	-	7	(7)
Cash and cash equivalents	526	-	-	-	-
Non-current assets					
Loans granted	12	-	-	1	(1)
Investment in associate	5	-	-	-	-
Impact on financial assets before income tax		12	(12)	8	(8)
Income tax (20%)		2	(2)	2	(2)
Impact on financial assets after tax		10	(10)	6	(6)
Current liabilities					
Trade and other payables	(1 246)	-	-	-3	3
Loans and borrowings	(92)	-	-	-	-
Impact on financial liabilities before income tax		-	-	(3)	3
Income tax (20%)		-	-	(1)	1
Impact on financial liabilitites after tax		-	-	(2)	2

Total increase/(decrase)		9	(10)	4	(4)
2010 Exposure to different types of risk mln USD*					
Current assets					
Financial assets held to maturity	-	-	-	-	-
Loans granted	2	-	-	-	-
Trade and Other receivables	35	-	-	-	-
Cash and cash equivalents	17	-	-	-	-
Non-current assets					
Loans granted	-	-	-	-	-
Investment in associate	-	-	-	-	-
Impact on financial assets before income tax	-	-	-	-	-
Income tax (20%)	-	-	-	-	-
Impact on financial assets after tax	-	-	-	-	-
Current liabilities					
Trade and other payables	(41)	-	-	-	-
Loans and borrowings	(3)	-	-	-	-
Impact on financial liabilities before income tax	-	-	-	-	-
Income tax (20%)	-	-	-	-	-
Impact on financial liabilities after tax	-	-	-	-	-
Total increase/(decrease)	-	-	-	-	-

27. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE.

Subsequent to the reporting date the Group executed share option program established in 2010 and 130 000 shares of the parent company were provided to participants of the program.