OJSC RBC Information Systems

Consolidated Financial Statements
for the year ended 31 December 2008

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ZAO KPMG
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow 123317
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

The Board of Directors
OJSC RBC Information Systems

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 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 consolidated financial statements are free of material misstatement.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(e), which describes that the Group had substantial borrowings repayable within twelve months, and for substantially all of its loans, the Group was either in breach of relevant covenants or had defaulted in making loan repayments. These conditions, along with other matters described in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Without qualifying our opinion, we also draw attention to the fact that USD amounts in the accompanying consolidated financial statements, which are presented solely for the convenience of users as described in Note 2(d), do not form a part of the consolidated financial statements and are unaudited.

ZAO KPMG

ZAO KPMG

30 December 2009

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

	Note	2008 Mln RUR	Continuing operations 2007, restated Mln RUR	Discontinued operations 2007 Mln RUR	2007, restated Mln RUR
Revenue	8	5,164	4,739	501	5,240
Cost of sales		(3,332)	(2,695)	(436)	(3,131)
Gross profit		**1,832**	**2,044**	**65**	**2,109**
Other income	9	81	33	2	35
Distribution expenses		(1,892)	(1,142)	(7)	(1,149)
Administrative expenses	10	(590)	(532)	(52)	(584)
Other expenses	11	(2,395)	(158)	(2)	(160)
Results from operating activities		**(2,964)**	**245**	**6**	**251**
Financial income	13	144	217	9	226
Financial expenses	13	(5,615)	(416)	(5)	(421)
Share of profit of equity accounted investees (net of income tax)	19	(620)	1	-	1
Gain on disposal of discontinued operation	6	-	-	128	128
(Loss)/profit before income tax		**(9,055)**	**47**	**138**	**185**
Income tax expense	14	(222)	(104)	(1)	(105)
(Loss)/profit for the year		**(9,277)**	**(57)**	**137**	**80**
Attributable to:					
Shareholders of the Company		(9,129)	(56)	137	81
Minority interest		(148)	(1)	-	(1)
		(9,277)	**(57)**	**137**	**80**
(Loss)/earnings per share	27				
Basic (loss)/earnings per share		(66.58)	(0.47)	1.15	0.68
Diluted (loss)/earnings per share		(66.58)	(0.47)	1.15	0.68

These consolidated financial statements were approved by management on 30 December 2009 and were signed on its behalf by:

Chief Executive Officer

German Kaplun

Vice Chairman of Finance

Dmitry Belik

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

	Note	2008 Mln USD*	Continuing operations 2007, restated Mln USD*	Discontinued operations 2007 Mln USD*	2007, restated Mln USD*
Revenue	8	176	161	17	178
Cost of sales		(114)	(92)	(15)	(107)
Gross profit		**62**	**69**	**2**	**71**
Other income	9	3	1	-	1
Distribution expenses		(64)	(39)	-	(39)
Administrative expenses	10	(20)	(18)	(2)	(20)
Other expenses	11	(82)	(5)	-	(5)
Results from operating activities		**(101)**	**8**	**-**	**8**
Financial income	13	5	8	-	8
Financial expenses	13	(191)	(14)	-	(14)
Share of profit of equity accounted investees (net of income tax)	19	(21)	-	-	-
Gain on disposal of discontinued operation	6	-	-	4	4
(Loss)/profit before income tax		**(308)**	**2**	**4**	**6**
Income tax expense	14	(8)	(4)	-	(4)
(Loss)/profit for the year		**(316)**	**(2)**	**4**	**2**
Attributable to:					
Shareholders of the Company		(311)	(2)	4	2
Minority interest		(5)	-	-	-
		(316)	**(2)**	**4**	**2**
(Loss)/earnings per share	27				
Basic (loss)/earnings per share		(2.268)	(0.017)	0.034	0.017
Diluted (loss)/earnings per share		(2.268)	(0.017)	0.034	0.017

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

	Note	2008 Mln RUR	2007 Mln RUR, restated	2008 Mln USD*	2007 Mln USD*, restated
ASSETS					
Non-current assets					
Property, plant and equipment	15	349	457	12	16
Intangible assets	16	1,661	3,590	57	122
Prepayment for shares	18	50	541	2	18
Investments in equity accounted investees	19	884	115	30	4
Other investments	20	5	912	-	31
Other assets	21	122	57	4	2
Total non-current assets		3,071	5,672	105	193
Current assets					
Inventories	23	37	40	1	1
Other investments	20	148	3,038	5	104
Income tax receivable		25	28	1	1
Trade and other receivables	24	861	1,534	29	52
Cash balances of OJSC RBC Bank	25	644	376	22	13
Cash balances of other Group companies	25	353	3,304	12	112
Total current assets		2,068	8,320	70	283
Total assets		5,139	13,992	175	476

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated w:docVafinancial statements set out on pages 14 to 93.

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

	Note	2008 Mln RUR	2007 Mln RUR, restated	2008 Mln USD*	2007 Mln USD*, restated
EQUITY AND LIABILITIES					
Equity	26				
Share capital		-	-	-	-
Share premium		6,644	6,644	226	226
Treasury shares		(1,019)	(304)	(35)	(10)
Foreign currency translation reserve		(6)	(25)	-	(1)
Available-for-sale investments revaluation reserve		(4)	-	-	-
Retained earnings		(9,215)	1,662	(314)	57
Total equity attributable to shareholders of the Company		(3,600)	7,977	(123)	272
Minority interest		22	7	1	-
Total equity		(3,578)	7,984	(122)	272
Non-current liabilities					
Loans and borrowings	28	4	123	-	4
Provisions	30	-	73	-	2
Deferred tax liabilities	22	146	74	5	3
Minority interest in limited liabilities companies		-	29	-	1
Total non-current liabilities		150	299	5	10
Current liabilities					
Loans and borrowings	28	5,593	3,860	190	131
Provisions	30	1,321	-	45	-
Trade and other payables	31	1,568	1,778	54	61
Income tax payable		85	71	3	2
Total current liabilities		8,567	5,709	292	194
Total liabilities		8,717	6,008	297	204
Total equity and liabilities		5,139	13,992	175	476

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated w:docVafinancial statements set out on pages 14 to 93.

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

	2008 Mln RUR	2008 Mln USD*	2007 Mln RUR	2007 Mln USD*
OPERATING ACTIVITIES				
(Loss)/profit for the year	(9,277)	(316)	80	3
Adjustments for:				
Depreciation and amortisation	418	14	426	14
Impairment of intangible assets and deferred tax assets	2,279	78	-	-
Unrealised foreign exchange gain	255	9	(214)	(7)
Loss on disposal of property, plant and equipment and intangible assets	54	2	92	3
Gain on disposal of discontinued operations	-	-	(128)	(4)
Net loss/(gain) from investments designated at fair value through profit and loss	413	14	(9)	-
Net loss/(gain) from disposal of investments held to maturity	162	6	(9)	-
Net loss/(gain) from investments held for trading	2,209	75	(121)	(4)
Net gain from investments available for sale	(21)	(1)	-	-
Share in profit in equity accounted investees	620	21	(1)	-
Share option program compensation expense	26	1	34	1
Impairment loss on trade receivables	559	19	-	-
One-off expenses under forward contracts	1,600	54	-	-
Reversal of tax provision	(32)	(1)	-	-
Loans issued written off	61	2	-	-
Fair value adjustments of loans issued	3	-	-	-
Non-cash transactions	23	1	-	-
Interest expense	540	18	323	11
Interest income	(129)	(4)	(43)	(1)
Income tax expense	222	8	105	3
Operating (loss)/profit before changes in working capital and provisions	**(15)**	**-**	**535**	**19**
Decrease/(increase) in inventories	4	-	(125)	(4)
Decrease/(increase) in trade and other receivables	64	2	(870)	(30)
(Decrease)/increase in trade and other payables	(325)	(11)	250	9
Increase in other assets	(14)	-		-
Increase in provisions, other than on income tax	26	-	4	-
Cash flows used by operations before income taxes and interest paid	**(260)**	**(9)**	**(206)**	**(6)**
Income taxes paid	(132)	(5)	(147)	(5)
Interest paid	(335)	(11)	(293)	(10)
Cash flows used in operating activities	**(727)**	**(25)**	**(646)**	**(21)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

	2008 Mln RUR	2008 Mln USD*	2007 Mln RUR	2007 Mln USD*
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	11	-	10	-
Proceeds from disposal of investments	5,427	185	6,598	225
Loans granted	(2,443)	(83)	(11)	-
Repayment of loans granted	1,130	38	54	2
Prepayment for shares in subsidiaries	-	-	(541)	(18)
Interest received	16	1	43	1
Acquisition of property, plant and equipment	(119)	(4)	(161)	(5)
Acquisition of intangible assets	(508)	(17)	(492)	(17)
Acquisition of other investments	(4,353)	(148)	(9,453)	(322)
Acquisition of minority interest in subsidiaries	(460)	(16)	(840)	(29)
Acquisition of subsidiaries, net of cash acquired	(185)	(6)	-	-
Payment for shares in equity accounted investees	(849)	(29)	(114)	(4)
Disposal of subsidiaries, net of cash disposed of	20	1	90	3
Cash flows used in investing activities	**(2,313)**	**(78)**	**(4,817)**	**(164)**
FINANCING ACTIVITIES				
Proceeds from issue of share capital, net of transaction costs	-	-	4,494	153
Acquisition of treasury shares	(759)	(26)	(74)	(3)
Proceeds from borrowings	5,184	176	2,176	74
Repayment of borrowings	(4,075)	(138)	(1,000)	(34)
Proceeds from sale of treasury shares	7	-	59	2
Cash flows from financing activities	**357**	**12**	**5,655**	**192**
Net (decrease)/increase in cash and cash equivalents	**(2,683)**	**(91)**	**192**	**7**
Cash and cash equivalents at beginning of year	**3,680**	**125**	**3,488**	**118**
Cash and cash equivalents at end of year	**997**	**34**	**3,680**	**125**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

Mln RUR	**Attributable to shareholders of the Company**							**Minority interest**	**Total**
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2007	-	2,149	(827)	11	-	2,416	3,749	217	3,966
Profit for the year	-	-	-	-	-	81	81	(1)	80
Foreign currency translation differences	-	-	-	(36)	-	-	(36)	-	(36)
Total recognized income and expense for the year	-	-	-	(36)	-	81	45	(1)	44
Acquisitions of subsidiaries	-	-	-	-	-	-	-	12	12
Acquisition of minority interest in subsidiaries	-	-	-	-	-	(176)	(176)	(207)	(383)
Disposal of subsidiaries	-	-	-	-	-	-	-	(14)	(14)
Shares issued	-	4,495	-	-	-	-	4,495	-	4,495
Options granted	-	-	-	-	-	34	34	-	34
Treasury shares sold, net of tax	-	-	597	-	-	(538)	59	-	59
Treasury shares acquired	-	-	(74)	-	-	-	(74)	-	(74)
Spin off of Armada to shareholders	-	-	-	-	-	(155)	(155)	-	(155)
Balance at 31 December 2007	-	6,644	(304)	(25)	-	1,662	7,977	7	7,984

The consolidated Statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

Mln RUR	Attributable to shareholders of the Company							Minority interest	Total
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2008	-	6,644	(304)	(25)	-	1,662	7,977	7	7,984
Loss for the year	-	-	-	-	-	(9,129)	(9,129)	(148)	(9,277)
Foreign currency translation differences	-	-	-	19	-	-	19	-	19
Revaluation of available-for-sale investments	-	-	-	-	(4)	-	(4)	-	(4)
Total recognized income and expense for year	-	-	-	-	(4)	(9,129)	(9,114)	(148)	(9,262)
Derecognition of minority interests (notes 7(b) and 7(d))	-	-	-	-	-	127	127	163	290
Acquisition of minority interest in subsidiary (note 7(c))	-	-	-	-	-	(554)	(554)	-	(554)
Provision for loans issued to related parties	-	-	-	-	-	(1,310)	(1,310)	-	(1,310)
Options granted	-	-	-	-	-	26	26	-	26
Treasury shares sold, net of tax	-	-	44	-	-	(37)	7	-	7
Treasury shares acquired	-	-	(759)	-	-	-	(759)	-	(759)
Balance at 31 December 2008	-	6,644	(1,019)	(6)	(4)	(9,215)	(3,600)	22	(3,578)

The consolidated Statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

Mln USD*	**Attributable to shareholders of the Company**							**Minority interest**	**Total**
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2007	-	73	(29)	-	-	82	128	7	135
Profit for the year	-	-	-	-	-	3	3	-	3
Foreign currency translation differences	-	-	-	(1)	-	-	(1)	-	(1)
Total recognized income and expense for the year	-	-	-	(1)	-	3	2	-	1
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-
Acquisition of minority interest in subsidiaries	-	-	-	-	-	(6)	(6)	(7)	(13)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-
Shares issued	-	153	-	-	-	-	153	-	153
Options granted	-	-	-	-	-	1	1	-	1
Treasury shares sold, net of tax	-	-	20	-	-	(18)	2	-	2
Treasury shares acquired	-	-	(3)	-	-	-	(3)	-	(3)
Spin off of Armada to shareholders	-	-	-	-	-	(5)	(5)	-	(5)
Balance at 31 December 2007	-	226	(10)	(1)	-	57	272	-	272

The consolidated Statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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

Mln USD*	Attributable to shareholders of the Company							Minority interest	Total
	Share capital	Share premium	Treasury shares	Translation reserve	Available-for-sale investments revaluation reserve	Retained earnings	Total		
Balance at 1 January 2008	-	226	(10)	(1)	-	57	272	-	272
Loss for the year	-	-	-	-	-	(311)	(311)	(5)	(316)
Foreign currency translation differences	-	-	-	1	-	-	1	-	1
Revaluation of available-for-sale investments	-	-	-	-	-	-	-	-	-
Total recognized income and expense for year	-	-	-	1	-	(311)	(310)	(5)	(315)
Derecognition of minority interest (note 7(b))	-	-	-	-	-	3	3	6	9
Acquisition of minority interest in subsidiary (note 7(c))	-	-	-	-	-	(19)	(19)	-	(19)
Disposal of subsidiaries	-	-	-	-	-	1	1	-	1
Provision for loans given to related parties	-	-	-	-	-	(45)	(45)	-	(45)
Options granted	-	-	-	-	-	1	1	-	1
Treasury shares sold, net of tax	-	-	2	-	-	(1)	1	-	1
Treasury shares acquired	-	-	(26)	-	-	-	(26)	-	(26)
Balance at 31 December 2008	-	226	(35)	-	-	(314)	(123)	1	(122)

The consolidated Statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 93.

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1 Background

(a) Business environment

Russian and Ukrainian business environment

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

(b) Organisation and operations

OJSC RBC Information Systems (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation, and companies located abroad. The Company was established as an open joint stock company in 2000. The Company's shares are traded in Russia on the Moscow Stock Exchange and Russian Trading System ("RTS"), and in the United States of America through a Level-1 ADR program.

The Company's registered office is the Russian Federation, Moscow, Profsoyuznaya Street, 78.

The Group's principal activities are advertising, provision of information services, operation of a business TV channel, print publications and internet hosting services. These services and products are sold in the Russian Federation and abroad.

2 Basis of preparation

(a) Statement of compliance

These 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 financial investments at fair value through profit and loss and financial investments classified as available-for-sale are stated at their fair value, and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

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(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in USD has been presented 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.

(e) Going concern

As at 31 December 2008, the Group had substantial borrowings repayable within twelve months as disclosed in notes 28 and 32. In addition, the Group was in breach of covenants or had defaulted, as at 31 December 2008 and subsequently, in making loan repayments to majority of its loan creditors. The Group's management is in negotiations with its creditors to restructure the Group's debt. Management expects to complete restructuring during the early part of 2010, followed by the issuance of shares, which Onexim Group has agreed to purchase for USD 80 million resulting in it obtaining a 51% interest in the Company.

The ability of the Group to continue as a going concern is dependent on the Group's ability to finalise the restructuring process within a reasonable period of time. Until binding restructuring agreements with creditors are executed and the new equity investor's contribution is received there remains a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the going concern basis because the Group's management considers that it is more likely than not that the Group will successfully finalise the restructuring. In addition, the Group is also considering the sale of parts of the Group's business.

The consolidated financial statements do not include any adjustments that would be necessary should the Group be unable to continue as a going concern.

(f) Use of judgments, estimates and assumptions

Management has made a number of judgments, 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.

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

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In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 – revenue;
- Note 17 – impairment of non-financial assets;
- Note 24 –impairment of accounts receivables;
- Note 30– tax provisions; and
- Note 35 – contingencies.

(g) Reclassifications

The Group has modified its presentation of impairment loss from accounts receivable. In 2007 the impairment loss from accounts receivable was included in other expenses, while in 2008 it has been reclassified into financial expense. The impairment of accounts receivable in 2007 in the amount of RUR 52 million/ USD* 2 million has been reclassified accordingly.

(h) Prior period adjustments

Management has made an adjustment of RUR 123 million/USD* 6 million to increase the fair value of financial liabilities of OJSC RBC Bank acquired in a business combination in December 2007. Accordingly, the goodwill on acquisition of OJSC RBC Bank has been increased by the same amount. The adjustment has been recognised as a prior period adjustment as set out in the note 7(e)(i)). This adjustment has not impacted equity as at 31 December 2007 or profit for the year then ended.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are described in note 3(a) to 3(r). These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group

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has joint control, established by contractual agreement and requiring unanimous consent for strategical financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments.

(ii) Foreign operations

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

Foreign currency differences are recognised directly in foreign currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

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

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(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity 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(m).

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 amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h)(i)), and foreign exchange gains and losses on available-for-sale monetary items (see note 3(b)(i)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

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 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.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(d) Share capital

Ordinary shares

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

Repurchase of share capital

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When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for 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 capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the income statement as incurred.

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.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in “other income” or “other expense” in the income statement.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- TV equipment 5 years
- Computer equipment 5 years
- Office equipment 5 years

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- Other assets 5 years.

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

(f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

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. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Acquisitions of minority interests

Acquisitions minority interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) 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 to maintain and improve design, content and appearance of a web-site is expensed as incurred.

(iii) Software

Acquired software stated at historical cost less accumulated amortisation and any accumulated impairment losses. Costs relating to the development of software are capitalized if the Group expects to sell the software at a price above cost or use it in its operations.

(iv) Capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in the income statement as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

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(v) Trade marks

Trade marks acquired by the Group and representing registered rights are stated at cost less accumulated amortisation and impairment losses.

(vi) Brands

Brands acquired by the Group in connection with the acquisition of internet resources, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(vii) Other intangible assets

Other intangible assets include licenses, customer lists, content of websites, and core deposit base of OJSC RBC Bank. Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(viii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

(ix) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Trade marks	5 to 20 years, and indefinite
Software	3 years
Web-sites	3 years
Brands	12 to 15 years
Customer lists	1 to 10 years
Cable network connection	15 years
Other (licenses, content, core deposit base)	3 years and indefinite.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 amortised 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 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 recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised 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) on a pro rata basis.

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

(i) Employee benefits

(i) Short-term benefits

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

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

(ii) Share-based payment transactions

The grant date fair value of share options granted to employees is recognised as personnel costs, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related services and non-market vesting conditions are met.

(j) Provisions

(i) Tax provisions

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

(k) Revenue

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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 recognised when the significant risks and rewards of ownership have been transferred to the buyer,

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recovery of the consideration is probable, the associates costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For sales of printing products, transfer usually occurs when the goods are shipped to buyers.

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

(l) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised 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 contingency no longer exists and the lease adjustment is known.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the income statement using the effective interest method.

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

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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.

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

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

(o) Demerger

When a demerger of the Group into separate businesses takes place, the same shareholders result in owning the businesses identically to their shareholdings in the Group before the demerger. The Group accounts for demerger as distribution to its shareholders using the book values of the net assets of businesses being disposed of.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. 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.

(q) 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. Segment information is presented in respect of the Group's business and geographical segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is 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 (other than investment property) and related revenue, loans and borrowings and related expenses,

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corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) 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.

The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting.
  IFRS 8 *Operating Segments,* which becomes mandatory for the Group's 2009 consolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments (see note 5). Under the management approach, the Group will present segment information in respect of Internet, TV, Printing and Hosting.

- Revised IAS 1 *Presentation of Financial Statements (2007)* which becomes mandatory for the Group's 2009 consolidated financial statements is expected to have a significant impact on the presentation of the consolidated financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.

- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- Amendments to IAS 32 *Financial instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory

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for the Group's 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective application required, is not expected to have any impact on the consolidated financial statements.
- Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* which will come into effect on 1 July 2009. The Group has not yet determined the potential effect of the amendment.
- Amendment to IFRS 2 *Share-based Payment – Vesting conditions and cancellations* clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements*, which come into effect on 1 July 2009 (i.e. become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require to recognise the effects of transactions with non-controlling interest directly in equity.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

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4 Determination of fair values

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

(a) Intangible assets

The fair values of certain intangible assets acquired in business combinations were estimated as follows:

(i) Trade marks and brands

The fair value of trade marks and brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trade mark or the brand being owned (the "relief-from-royalty" method).

(ii) Software and websites

The fair values of software and websites acquired in a business combination were determined through the cost approach, based on the actual expenditure the Group would have incurred to recreate such software and websites.

(iii) Other intangible assets

The fair values of customer lists acquired in business combinations were valued using the multi-period excess earnings approach.

The fair values of licences were determined using the cost approach, except that the fair value of the license of CJSC TRK MKS acquired in a business combination was valued using the market approach (note 7(a)). The fair value of the core deposit base of OJSC RBC Bank acquired in a business combination was valued using the cost savings approach.

(b) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments is determined by reference to their quoted weighted average price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

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(d) Trade and other receivables

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

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(f) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

5 Segment reporting

(a) Business segments

The Group comprises the following main business segments:

Internet Segment. Provision of internet advertising, information and hosting services. In 2007 the Group disclosed hosting as a separate business segment. In 2008 hosting services are added to Internet Segment; comparatives have been restated.

TV segment. Operation of a TV channel, provision of TV advertising.

Printing segment. Provision of advertising in magazines and newspapers, and sale of magazines and newspapers.

Bank segment. Provision of banking services

IT segment. Development and sale of software, systems integration, IT infrastructure design and maintenance, implementation services. This business segment was disposed in 2007 (note 6).

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	Internet		**TV**		**Printing**		**Banking**		**IT**		**Eliminations**		**Consolidated**	
Mln RUR	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007, restated**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007, restated**
Revenue from external customers	2,821	2,637	770	1,009	1,478	1,093	95	-	-	501	-	-	5,164	5,240
Inter-segment revenue	1,356	79	617	264	439	10	-	-	-	5	(2,412)	(358)	-	-
Total segment revenue	4,177	2,716	1,387	1,273	1,917	1,103	95	-	-	506	(2,412)	(358)	5,164	5,240
Segment result	(2,724)	1,606	52	453	263	286	(108)	-	-	65	65	(353)	(2,452)	2,057
Unallocated expenses													(512)	(1,806)
(Loss)/profit from operations													**(2,964)**	**251**
Financial income													144	226
Financial expenses													(5,615)	(421)
Share of profit of equity accounted investees													(620)	1
Gain on disposal of discontinued operations													-	128
Income tax expense													(222)	(105)
(Loss)/profit for the year													**(9,277)**	**80**
Segment assets	7,445	6,615	1,802	1,262	45	1,113	756	683	-	-	(6,441)	(395)	3,607	9,278
Unallocated assets													1,532	4,714
Total assets													5,139	13,992
Segment liabilities	255	958	838	116	1,220	156	1,105	395	-	-	(1,804)	(167)	1,614	1,458
Unallocated liabilities													7,103	4,550
Total liabilities													8,717	6,008
Depreciation/amortisation	271	198	120	180	28	26	3	-	-	26	-	-	422	430
Capital expenditure	351	154	359	562	9	58	2	101	-	24	-	-	721	899
Impairment losses	1,849	-	264	-	548	-	235	-	-	-	-	-	2,896	-

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

	Internet		TV		Printing		Banking		IT		Eliminations		Consolidated	
Mln USD*	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007, restated**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007, restated**
Revenue from external customers	96	90	26	34	51	37	3	-	-	17	-	-	176	178
Inter-segment revenue	46	3	21	9	15	-	-	-	-	-	(82)	(12)	-	-
Total segment revenue	142	93	47	43	66	37	3	-	-	17	(82)	(12)	176	178
Segment result	(93)	55	2	15	9	10	(4)	-	-	2	2	(12)	(84)	70
Unallocated expenses													(17)	(62)
(Loss)/profit from operations													**(101)**	**8**
Financial income													5	8
Financial expenses													(191)	(14)
Share of profit of equity accounted investees													(21)	-
Gain on disposal of discontinued operations													-	4
Income tax expense													(8)	(4)
(Loss)/profit for the year													**(316)**	**2**
Segment assets	253	225	61	43	2	38	26	23	-	-	(219)	(13)	123	316
Unallocated assets													52	160
Total assets													175	476
Segment liabilities	9	33	29	4	42	5	38	13	-	-	(61)	(6)	57	49
Unallocated liabilities													240	155
Total liabilities													297	204
Depreciation/amortisation	9	7	4	6	1	1	-	-	-	1	-	-	14	15
Capital expenditure	12	51	12	19	-	2	-	3	-	1	-	-	24	76
Impairment losses	63	-	9	-	19	-	8	-	-	-	-	-	99	-

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

6 Discontinued operation in 2007

The Group had no discontinued operations in 2008.

In May 2007 the Group spun off its IT segment. The Group’s management committed to sell this segment early in 2007 due to a strategic decision to place greater focus on the Group’s key media segments. Subsequent to the spin-off, the disposed IT segment has been under common control with the Group.

IT segment included a number of the Group’s subsidiaries as listed below. At the date of disposal, these subsidiaries were held by OJSC Armada.

In March 2007 the Company’s Board of Directors made a public offer to the Company’s shareholders to acquire 95% of total shares in OJSC Armada for RUR 6.69/ USD*0.23 per share, based on the notional value of the share capital and retained earnings of OJSC Armada determined as at 1 January 2007 in accordance with the Russian accounting standards. Each of the Company’s shareholders was entitled to acquire a number of shares of OJSC Armada in proportion to the number of the Company’s shares held by the shareholder.

	Country of incorporation
CJSC RBC Soft	Russia
LLC RBC Soft	Russia
LLC RBC Inform	Russia
LLC RBC Technologies	Russia
CJSC RBC Engineering	Russia
LLC Dom dlya PC	Russia
LLC RBC Center	Russia
LLC ASCO-TBS Consulting	Russia
LLC RBC Programmniy Product	Russia
LLC Hopeland	Russia
LLC Helios Computer	Russia
Art Technology (former RBC International)	Hong Kong
Helios IT Operator	British Virgin Islands

In May 2007 the Company sold 81.79% shares of OJSC Armada to the Company’s shareholders for a total consideration of RUR 55 million/USD* 2 million. The loss of RUR 155 million/ USD*5 million has been recognised directly in equity.

In July 2007 the Group sold the remaining 13.21% of the shares of OJSC Armada on the Russian stock market for RUR 164 million/USD* 6 million. The gain of RUR 128 million/USD* 4 million has been recognised in the income statement.

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

	5 months ended 31 May 2007 Mln RUR	5 months ended 31 May 2007 Mln USD*
Results of discontinued operation		
Revenue	501	17
Cost of sales	(436)	(15)
Gross margin	65	2
Expenses	(55)	(2)
Results from operating activities	10	-
Gain on disposal of discontinued operation	128	4
Income tax expense	(1)	-
Profit for the year	137	4
Cash flows used in discontinued operation		
Net cash used in operating activities	(534)	(18)
Net cash used in investing activities	(18)	(1)
Net cash from financing activities	106	4
Net cash flows used in discontinued operation	(446)	(15)

Effect of disposal on the financial position of the Group	As at 31 May 2007 Mln RUR	As at 31 May 2007 Mln USD*
Property, plant and equipment	(31)	(1)
Intangible assets	(143)	(5)
Deferred tax assets	(2)	-
Short-term loans	(11)	-
Inventories	(173)	(6)
Trade and other receivables	(432)	(15)
Cash and cash equivalents	(129)	(4)
Loans and borrowings	163	6
Deferred tax liabilities	12	-
Trade and other payables	493	17
Net liabilities	(253)	(8)
Consideration received, settled in cash	219	7
Cash disposed of	(129)	(4)
Net cash inflow	90	3

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

7 Acquisition and disposals of subsidiaries and minority interests

(a) Acquisition of CJSC TRK MKS

In April 2008 the Group acquired 100% of the shares in CJSC TRK Molodaya Kultura Sibiri for RUR 185 million/USD* 6 million in cash. The impact of acquiring the subsidiary was to increase loss for the year by RUR 1 million/USD*0.03 million.

CJSC TRK Molodaya Kultura Sibiri provides TV broadcasting services in Novosibirsk region. The licence enabled the Group to broadcast RBC-TV channel in Novosibirsk. CJSC TRK Molodaya Kultura Sibiri was renamed into CJSC RBC TV Novosibirsk immediately after the control was obtained in 2008.

The Group has determined fair value of identifiable tangible and intangible assets of the acquiree as at the acquisition date with assistance of an independent appraiser. The following assets have been identified:

	Fair value Mln RUR	**Fair value Mln USD***	**Estimated remaining useful life**
TV broadcasting license	169	6	indefinite

The acquisition of CJSC TRK Molodaya Kultura Sibiri had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition Mln RUR	**Recognised fair values on acquisition Mln USD***
Intangible assets	169	6
Other identifiable assets and liabilities, net	(1)	-
Net identifiable assets, liabilities and contingent liabilities	168	6
Group's share in net identifiable assets, liabilities and contingent liabilities	168	6
Goodwill on acquisition	17	1
Total consideration paid	185	7
Cash acquired	-	-
Net cash outflow	185	7

Since the acquired subsidiary did not prepare IFRS financial statements before acquisition, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2008, had the acquisition occurred on 1 January 2008.

The goodwill in the amount of RUR 17 million/ USD* 1 million arose on the acquisition because the Group expects to benefit from synergy of CJSC Molodaya Kultura Sibiri integration into activities of its TV segment.

(b) Acquisition of 20% minority interests of EDI S Press Holding Ltd.

In February 2008 the Group partially exercised its option to acquire a minority interest of 40% in EDI S Press, through acquiring 20% interest for RUR 192 million /USD*6.5 million paid in cash, increasing ownership of the Group in EDI S Press from 60% to 80%. The liability for the total minority interest of 40% in the amount of RUR 383 million/USD*13 million has been recognised

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in the Group's consolidated financial statements for 2007 (note 7(e)(viii)). Since the option to acquire the residual 20% minority interest expired on 31 December 2008, the Group has derecognised the liability for non-acquired minority interest of RUR 191 million/USD*7 million. The excess of the value of derecognised liability over the carrying value of non-acquired minority interest in the amount of RUR 101 million/ USD*3 million has been credited to equity

(c) Acquisition of 17% minority interests of Valento Commerce Ltd.

In July 2008 and September 2008 the Group partially exercised its option to acquire 25% shares of Valento Commerce Ltd., through acquiring of total 17% shares of Valento Commerce Ltd. for RUR 544 million /USD*19 million. The purchase consideration has been partially settled during 2008 in cash in the amount of RUR 258 million/ USD* 9 million, by providing advertising services to the seller for the amount of RUR 158 million/ USD* 5 million and by assignment of receivables for the amount of RUR 128 million/ USD* 5 million. At 31 December 2008 purchase consideration payable amounted to RUR 76 million /USD*3 million (note 31).

As a result of this acquisition, the Group's ownership in Valento Commerce Ltd. increased from 75% to 92%. The excess of the purchase consideration over the carrying value of the acquired minority interest in the amount of RUR 544 million/ USD*19 million has been debited to equity.

In September 2008 the Group committed to acquire the remaining 8% minority interest in Valento Commerce for RUR 176 million/ USD* 6 million, subject to the condition of achieving a specified number of unique visitors of Valento's internet resources. Subsequent to 2008 the condition has been met. At the date when these consolidated financial statements are approved for issuance, the Group is in process of acquiring the 8% interest. Management expects to complete the acquisition in 2010.

(d) Disposal of control in LLC Fidel Solutions

In August 2008 the Group disposed of 10% interest in LLC Fidel Solutions for no consideration to the former owners of the subsidiary. As a result, the Group's ownership in LLC Fidel Solutions reduced from 51% to 41%. At the date when control was disposed, LLC Fidel Solutions had assets of RUR 24 million/ USD* 0.8 million and liabilities of RUR 36 million/ USD* 1.2 million.

A liability for additional 10% minority interest in LLC Fidel Solutions in the amount of RUR 25 million/USD* 1 million recognised by the Group as at 31 December 2007 (note 7(e)(ii)), was derecognised at 31 December 2008 as the seller's put option had not been exercised and expired. The excess of the value of derecognised liability over the carrying value of non-acquired minority interest in the amount of RUR 24 million/ USD*1 million has been credited to equity.

Subsequent to the disposal of the control in LLC Fidel, the Group wrote off a loan issued to Fidel upon its acquisition in 2007 in the amount of RUR 29 million/USD* 1 million.

In 2008 the Group recognized profit of RUR 12 million/ USD* 0.4 million from investments in LLC Fidel Solutions. The gain from disposal of the subsidiary in 2008 amounted to RUR 8 million/ USD* 0.3 million.

In 2009 the Group disposed of its residual interest in LLC Fidel Solutions to its former owner for no consideration (note 38).

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(e) Acquisitions in 2007

(i) Acquisition of OJSC Burg Capital Bank (OJSC RBC Bank)

In December 2007 the Group completed the acquisition of 97.5% shares in OJSC Burg Capital Bank for a total amount of RUR 483 million/USD* 16 million, settled in cash. Prior to its acquisition by the Group OJSC Burg Capital Bank provided banking services to individuals and corporate clients and conducted broker and dealer operations. Upon acquisition, the bank was renamed to OJSC RBC Bank.

In 2007 the purchase price was allocated to the fair values of the identifiable assets and liabilities on a provisional basis.

In 2008 management of the Group commissioned American Appraisals to assess the fair value of identifiable intangible assets of the bank as at the date of the acquisition. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
License	19.9	0.7	indefinite
Core deposit base	5.9	0.2	3 years
Software	2.3	0.1	3 years
	28.1	1.0	

In 2008 the Group also adjusted the fair value of financial liabilities acquired as set out below.

The net assets of the acquired subsidiary were as follows at the date of acquisition:

Mln RUR	Previously recognised fair values on acquisition	Adjustment to fair value of financial liabilities	Adjusted fair values on acquisition
Non-current assets			
Property, plant and equipment	2	-	2
Intangible assets	28	-	28
Deferred tax assets	1	-	1
Deposits	1	-	1
Current assets			
Trade and other receivables	263	-	263
Investments, held for trading	207	-	207
Cash and cash equivalents	337	-	337
Other assets	4	-	4
Non-current liabilities			
Deferred tax liabilities	(11)	-	(11)
Current liabilities			
Trade and other payables	(410)	-	(533)
Net identifiable assets, liabilities and contingent liabilities	422	(123)	299
Group's share in net identifiable assets, liabilities and contingent liabilities	412	(120)	292
Goodwill on acquisition	71	120	191
Consideration paid	483	-	483
Cash acquired	(337)	-	(337)
Net cash outflow	146	-	146

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

Mln USD*	Previously recognised fair values on acquisition	Adjustment to fair value of financial liabilities	Adjusted fair values on acquisition
Non-current assets			
Property, plant and equipment	-	-	-
Intangible assets	1	-	1
Deferred tax assets	-	-	-
Deposits	-	-	-
Current assets			
Trade and other receivables	9	-	9
Investments, held for trading	7	-	7
Cash and cash equivalents	12	-	12
Other assets	-	-	-
Non-current liabilities			
Deferred tax liabilities	-	-	-
Current liabilities			
Trade and other payables	(14)	(4)	(18)
Net identifiable assets, liabilities and contingent liabilities	15	(4)	11
Group's share in net identifiable assets, liabilities and contingent liabilities	14	(4)	10
Goodwill on acquisition	2	4	6
Consideration paid	16	-	16
Cash acquired	(11)	-	(11)
Net cash outflow	5	-	5

If the acquisition had occurred on 1 January 2007, Group revenue for the year would have been RUR 5,306 million (unaudited)/USD* 181 million, and the profit for the year would have been RUR 104 million (unaudited)/USD* 4 million. While determining these figures it has been assumed that the fair value adjustments at 1 January 2007 would have been the same as the fair value adjustments that arose on the date of acquisition.

The goodwill in the amount of RUR 191 million/USD* 6 million arose on the acquisition because the Group expected to benefit from creation of a fully-fledged internet payment system in Russia.

(ii) Acquisition of LLC Fidel Solutions

At the end of December 2007 the Group acquired 51% of the shares in LLC Fidel Solutions for RUR 13 million/USD* 0.4 million in cash. Additionally, the minority shareholder has a put option to sell further a 10% of the shares in LLC Fidel Solutions to the Group for RUR 25 million/USD* 1 million prior to July 2008. As at 31 December 2007 the Group recognised a payable for the shares in the amount of RUR 25 million/USD* 1 million. The put option has not been exercised, and the payable has been derecognised as described in the note 7(d).

LLC Fidel Solutions owns internet resource www.fidel.ru which is one of the largest online stores, selling copyright-protected digital content, such as music, audio books, mobile content and computer games.

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

The Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree as at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Software	2.6	0.1	3 years
Content	1.7	0.1	3 years
Web-sites	1.5	0.1	3 years
	5.8	0.3	

The acquisition of LLC Fidel Solutions had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition Mln RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	1	-
Intangible assets	6	-
Current assets		-
Trade and other receivables	4	-
Cash and cash equivalents	1	-
Current liabilities		-
Trade and other payables	(1)	-
Short-term loans and borrowings	(9)	-
Net identifiable assets, liabilities and contingent liabilities	2	-
Group's share in net identifiable assets, liabilities and contingent liabilities	1	-
Goodwill on acquisition	12	-
Total consideration paid	13	-
Cash acquired	(1)	-
Net cash outflow	12	-

Since the acquired subsidiary did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 13 million/ USD* 0.4 million arose on the acquisition because the Group expected to benefit from synergies from integration of LLC Fidel Solutions into activities of its internet segment.

(iii) Acquisition of hosting companies

At the end of December 2007 the Group acquired 100% of the shares in NewMediaHosting Inc. (Cyprus) and Hosting Communities Inc. (Cyprus) for a total consideration of RUR 589 million/ USD* 20 million, which was settled in cash.

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

At the date of acquisition the above Cyprus companies owned shares in the following Russian companies:

	Ownership interest, %
CJSC Arbatek	100
LLC Ukraina-Host	81
CJSC Centrohost	100
LLC Garant-Park Telekom	86
LLC Hosting Center	100
CJSC Spaceweb, LLC Spaceweb	25
LLC Concord	25

In 2008 management of the Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	**Fair value Mln USD***	**Estimated remaining useful life**
Client base	22	0.7	5 years
Trade marks	39	1.3	5 years
	61	2	

The acquisition of the hosting had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition Mln RUR	**Recognised fair values on acquisition Mln USD***
Non-current assets		
Property, plant and equipment	44	2.5
Intangible assets	61	2
Current assets		
Trade and other receivables	44	1.5
Investments held for trading	16	0.5
Cash and cash equivalents	16	0.5
Current liabilities		
Trade and other payables	(81)	(3)
Short-term loans and borrowings	(31)	(1)
Net identifiable assets, liabilities and contingent liabilities	69	2
Group's share in net identifiable assets, liabilities and contingent liabilities	56	2
Goodwill on acquisition	533	18
Consideration paid	589	20
Cash acquired	(16)	(0.5)
Net cash outflow	573	19.5

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

Since the acquired subsidiaries did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 533 million/USD* 18 million arose because through this acquisition the Group expected to become a leading provider on the Russian market of web hosting services.

(iv) Acquisition of CJSC Agentstvo Marketinga i Delovoj Analitiki

In July 2007 the Group acquired 90% of the shares of CJSC Agentstvo Marketinga i Delovoj Analitiki and its subsidiaries CJSC Nashi Den'gi Volga and CJSC Nashi Den'gi Novosibirsk (further referred together as "Amida") for RUR 45 million/ USD* 2 million, settled in cash. Amida publishes magazine "Nashi Den'gi" distributed in Russia and abroad.

The Group commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Trade marks	7	-	5 years
Client base	15	1	10 years
	22	1	

The acquisition of the hosting had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition Mln RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	1	-
Intangible assets	22	1
Current assets		
Trade and other receivables	21	1
Investments held for trading	2	-
Cash and cash equivalents	1	-
Other assets	4	-
Current liabilities		
Trade and other payables	(11)	-
Short-term loans and borrowings	(17)	(1)
Net identifiable assets, liabilities and contingent liabilities	23	1
Group's share in net identifiable assets, liabilities and contingent liabilities	21	1
Goodwill on acquisition	24	1
Consideration paid	45	2
Cash acquired	(1)	-
Net cash outflow	44	2

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

Because the acquired subsidiaries did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 24 million/USD* 1 million arose on the acquisition because the Group expected to benefit from synergies from of including Amida in the publishing segment of the Group.

(v) Acquisition of "Kvartirny otvet na kvartirny vopros"

In October 2007 the Group acquired a publishing business "Kvartirny otvet na kvartirny vopros" which included publishing rights and internet domain www.kvotvet.ru, and employed its key employees. The total acquisition price was RUR 42 million/ USD* 2 million, settled in cash. The Group has not identified any material assets or liabilities acquired in this business combination. The goodwill of RUR 42 million/ USD* 2 million arose on the acquisition because the Group expected to benefit from synergies of including the publishing business in the operations of its printing segment.

(vi) Acquisition of "Kvadratny metr"

In July 2007 the Group acquired a publishing business "Kvadratny metr" for a total consideration of RUR 25 million/ USD* 1 million, settled in cash. The business included registered trademarks "Kvadratny metr poleznoi ploschadi", publishing rights for the newspapers "M2 - Kvadratny metr poleznoi ploschadi" and "O nedvizhimosti", and internet website.

The purchase consideration of RUR 25 million/ USD* 1 million has been allocated to the registered trademark "Kvadratny metr" in the amount of RUR 8 million/ USD* 0.3 million and goodwill in the amount of RUR 17 million/ USD* 0.6 million. The Group has assigned a 20-year useful life to the trade mark. The Group has not identified other material assets or liabilities acquired in this business combination. The goodwill of RUR 17 million/ USD* 0.6 million arose on the acquisition because the Group expected to benefit from synergies of including the publishing business in the operations of its printing segment.

(vii) Acquisition of Valento Commerce Limited:

In September 2007 the Group acquired 75% of the shares of Valento Commerce Limited (British Virgin Islands) for RUR 670 million/USD* 23 million. The amount of RUR 354 million/ USD* 12 million was prepaid in 2006. The balance of the purchase consideration was settled by provision of advertising services at the value of RUR 316 million/ USD* 11 million.

At the date of acquisition, Valento Commerce Limited owned 55% of the shares in LLC Loveplanet. Valento Commerce Limited and LLC Loveplanet own non-business web-sites and software.

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

The Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln. RUR	Fair value Mln. USD*	Estimated remaining useful life
Software	12.1	0.4	3 years
Brands Fishki and Loveplanet	41.0	1.4	15 years
Client relationship	13.6	0.5	1 year
	66.7	2.3	

The acquisition of the internet resource had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition Mln. RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	3	-
Intangible assets	67	2
Deferred tax assets	1	-
Current assets		
Trade and other receivables	43	1
Cash and cash equivalents	1	-
Current liabilities		
Trade and other payables	(35)	(1)
Short-term loans and borrowings	(20)	-
Net identifiable assets, liabilities and contingent liabilities	60	2
Group's share in net identifiable assets, liabilities and contingent liabilities	31	1
Goodwill on acquisition	639	22
Total consideration	670	23
Non-cash consideration	316	11
Consideration prepaid in cash in 2006	354	12
Total cash consideration paid in 2007	-	-
Cash acquired	(1)	-
Net cash inflow	(1)	-

Since the acquired subsidiaries did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 639 million/USD* 22 million arose on the acquisition due to the expected synergies of the acquired business and consumer internet projects of the Group.

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

An option to acquire further 25% shares in Valento Commerce Ltd.

At 31 December 2007 the Group had an option to buy the 25% minority interest in Valento Commerce exercisable by the Group within one year of the initial acquisition by the Group of the 75% interest. The price payable for the 25% interest should have been not less than RUR 115 million/ USD* 4 million and depended on the number of the websites' visitors.

(viii) ***Option to acquire 40% interest in EDI S Press group***

At 31 December 2007 the minority shareholders have a put option to sell the 40% minority interest in EDI S Press to the Group. At the same time, the Group has a call option to buy the same amount of shares in EDI S Press. Both options are exercisable up to 31 December 2008. The price of the 40% shares is to be determined based on audited revenue, profit and the fair value of the acquired business determined by an independent appraiser. As at 31 December 2007 the Group recognised a payable for these shares in the amount of RUR 383 million/ USD* 13 million. Subsequent to 31 December 2007, the Group acquired 20% of shares in EDI S Press for RUR 191 million/ USD* 6.5 million (note 7(b)).

8 Revenue

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Revenue from sale of internet advertising services and hosting services	2,821	2,637	97	90
Revenue from sale of advertising services in printing segment and from sales on prints	1,478	1,093	50	37
Revenue from sale of TV advertising services	770	1,009	26	34
Revenue from banking services	95	-	3	-
Revenue from discontinued operation (note 6)	-	501	-	17
	5,164	5,240	176	178

9 Other income

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Gain on disposal of other investments	21	-	1	-
Reversal of tax provision	32	-	1	-
Foreign currency exchange income	18	-	1	-
Other operating income	9	11	-	-
Rental income	1	4	-	-
Gain on disposal of property, plant and equipment	-	20	-	1
	81	35	3	1

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

10 Administrative expenses

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Rent	(149)	(105)	(5)	(4)
Wages and salaries	(114)	(189)	(4)	(6)
Consulting and legal expenses	(68)	(87)	(2)	(3)
Other administrative expenses	(62)	(62)	(2)	(2)
Taxes other than profit tax	(33)	(12)	(1)	(1)
Employee compensation under share option program	(26)	(34)	(1)	(1)
Business trips and transportation costs	(26)	(22)	(1)	(1)
Communication	(24)	(35)	(1)	(1)
Information services	(17)	(4)	(1)	-
Expenses for materials	(17)	(11)	(1)	(1)
Insurance	(16)	(9)	(1)	-
IT expenses	(12)	(6)	-	-
Depreciation, amortization and licenses	(12)	-	-	-
Housing	(9)	(8)	-	-
Benefits for employees	(5)	-	-	-
	(590)	(584)	(20)	(20)

11 Other expenses

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Impairment of intangible assets and deferred tax assets	(2,279)	-	(78)	-
Loss on disposal of property, plant and equipment	(53)	(112)	(2)	(4)
Penalties	(9)	(7)	-	-
Loss on disposal of intangible assets	(1)	-	-	-
Other operating expenses	(53)	(41)	(2)	(1)
	(2,395)	(160)	(82)	(5)

12 Personnel costs

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Wages, salaries and bonuses	1,547	1,120	53	38
Contributions to State pension fund and other social charges	274	152	9	5
Share options (note 29)	26	34	1	1
	1,847	1,306	63	44

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13 Financial income and expenses

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Financial income				
Interest income	129	43	4	2
Foreign exchange gain, net	-	42	-	2
Net gain from investments in investments designated at fair value through profit and loss	-	9	-	-
Net gain from investments held for trading	-	121	-	4
Net gain from investments held to maturity	-	9	-	-
Other financial income	15	2	1	-
	144	226	5	8
Financial expenses				
Net loss from investments held for trading	(2,209)	-	(75)	-
One-off expenses under forward contracts	(1,600)	-	(54)	-
Interest expense	(540)	(323)	(18)	(11)
Impairment loss on trade and other receivables	(559)	(52)	(19)	(2)
Net loss from investments designated at fair value through profit and loss	(413)	-	(14)	-
Net loss from disposal of investments held to maturity	(162)	-	(6)	-
Loans issued written off	(61)	-	(2)	-
Other financial expenses	(25)	-	(1)	-
Brokers commissions	(24)	(46)	(1)	(1)
Foreign exchange loss, net	(22)	-	(1)	-
	(5,615)	(421)	(191)	(14)

14 Income tax expense

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Current tax expense				
Current year	150	98	5	3
Increase in tax provision, net	-	19	-	1
	150	117	5	4
Deferred tax expense				
Origination and reversal of temporary differences	60	(12)	2	-
Change in tax rate	12	-	1	-
	72	(12)	3	-
	222	105	8	4

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The applicable tax rate for the Company and Russian subsidiaries is the income tax rate of 24% (2007: 24%). With effect from 1 January 2009, the income tax rate for Russian companies has been reduced to 20%. This rate has been used in the calculation of deferred tax assets and liabilities. Foreign subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entities located in Ukraine, the applicable tax rate is the corporate income tax rate of 25% (2007: 25%). For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2007: 10%). An entity located in Netherland Antilles had tax loss in 2008 (effective tax rate for 2007: 4%). The income earned by entities incorporated in the British Virgin Islands is not currently subject to income tax.

Reconciliation of effective tax rate:

	2008		2007	
	Mln RUR	%	Mln RUR	%
(Loss)/profit before income tax	(9,055)	100	185	100
Income tax at applicable tax rate	2,173	(24)	(44)	(24)
Effect of income taxed at (lower)/higher rates	(409)	5	209	113
Increase of late-payment interest and penalties related to the provision for income tax	(5)	-	(9)	(5)
Change in tax rate	(12)	-	-	-
Non-deductible expenses	(2,005)	22	(320)	(173)
Non-taxable income	138	(2)	59	(32)
Current year losses for which no deferred tax asset was recognised	(97)	1	-	-
Under provided in prior years	(5)	-	-	-
	(222)	2	(105)	(57)

	2008		2007	
	Mln USD*	%	Mln USD*	%
(Loss)/profit before income tax	(308)	100	6	100
Income tax at applicable tax rate	74	(24)	(2)	(24)
Effect of income taxed at (lower)/higher rates	(14)	5	7	113
Increase of late-payment interest and penalties related to the provision for income tax	-	-	-	(5)
Change in tax rate	-	-	-	-
Non-deductible expenses	(68)	22	(11)	(173)
Non-taxable income	5	(2)	2	(32)
Current year losses for which no deferred tax asset was recognised	(3)	1	-	-
Under provided in prior years	(1)	-	-	-
	(7)	2	(4)	(57)

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15 Property, plant and equipment

Mln. RUR	TV equipment	Computer equipment	Office equip-ment	Other assets	Construc-tion in progress	Prepay-ments	Total
Cost							
Balance at 1 January 2007	547	516	46	24	73	-	1,206
Acquisitions through business combinations	-	49	1	1	-	-	51
Additions	56	13	69	19	4	-	161
Disposals	(81)	(58)	(1)	(1)	-	-	(141)
Disposed with discontinued operation (note 6)	-	(49)	(8)	-	(2)	-	(59)
Transfer	10	8	39	-	(57)	-	-
Balance at 31 December 2007	532	479	146	43	18	-	1,218
Balance at 1 January 2008	532	479	146	43	18	-	1,218
Acquisitions through business combinations	1	-	-	-	-	-	1
Additions	41	43	11	2	16	5	118
Disposals	(83)	(211)	(6)	(3)	(9)	-	(312)
Transfer	-	3	7	-	(10)	-	-
Balance at 31 December 2008	491	314	158	42	15	5	1,025
Depreciation							
Balance at 1 January 2007	(310)	(273)	(23)	(11)	-	-	(617)
Depreciation charge	(108)	(79)	(18)	(6)	-	-	(211)
Disposed with discontinued operation (note 6)	-	22	6	-	-	-	28
Disposals	24	11	-	4	-	-	39
Balance at 31 December 2007	(394)	(319)	(35)	(13)	-	-	(761)
Balance at 1 January 2008	(394)	(319)	(35)	(13)	-	-	(761)
Depreciation charge	(72)	(52)	(30)	(8)	-	-	(162)
Acquisitions through business combinations	(1)	-	-	-	-	-	(1)
Disposals	59	182	5	2	-	-	248
Balance at 31 December 2008	(408)	(189)	(60)	(19)	-	-	(676)
Net book value							
At 1 January 2007	238	243	23	13	73	-	590
At 1 January 2008	138	160	111	30	18	-	457
At 31 December 2008	83	125	98	23	15	5	349

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Mln USD*	**TV equipment**	**Computer equipment**	**Office equip-ment**	**Other assets**	**Construc-tion in progress**	**Prepay-ments**	**Total**
Cost							
Balance at 1 January 2007	19	18	2	1	2	-	42
Acquisitions through business combinations	-	1	-	-	-	-	1
Additions	2	-	2	1	-	-	5
Disposals	(3)	(2)	-	-	-	-	(5)
Disposed with discontinued operation (note 6)	-	(1)	-	-	-	-	(1)
Transfer	-	-	1	-	(1)	-	-
Balance at 31 December 2007	18	16	5	2	1	-	42
Balance at 1 January 2008	18	16	5	2	1	-	42
Acquisitions through business combinations	-	-	-	-	-	-	-
Additions	1	1	-	-	1	-	3
Disposals	(3)	(7)	-	-	-	-	(10)
Transfer	-	-	-	-	-	-	-
Balance at 31 December 2008	16	10	5	2	2	-	35
Depreciation							
Balance at 1 January 2007	(11)	(9)	(1)	-	-	-	(21)
Depreciation charge	(4)	(3)	(1)	-	-	-	(7)
Disposed with discontinued operation (note 6)	-	1	-	-	-	-	1
Disposals	1	-	-	-	-	-	1
Balance at 31 December 2007	(13)	(11)	(2)	-	-	-	(26)
Balance at 1 January 2008	(13)	(11)	(2)	-	-	-	(26)
Depreciation charge	(3)	(2)	(1)	-	-	-	(6)
Acquisitions through business combinations	-	-	-	-	-	-	-
Disposals	3	6	-	-	-	-	9
Balance at 31 December 2008	(14)	(6)	(2)	(1)	-	-	(23)
Net book value							
At 1 January 2007	8	9	1	1	2	-	21
At 1 January 2008	5	5	3	2	1	-	16
At 31 December 2008	3	3	2	2	2	-	12

Depreciation charge is included in “Cost of sales” and “Administrative expenses”. During the year, depreciation of RUR 4 million/ USD* 0.2 million (2007: RUR 4 million/ USD* 0.2 million) was capitalised as a part of website costs.

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16 Intangible assets

Mln RUR	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2007	428	218	246	304	484	178	32	371	155	45	2,461
Additions	-	12	90	20	-	176	200	-	-	-	498
Additions through business combinations restated (note 7)	52	17	3	-	41	-	-	1,464	57	19	1,653
Disposals	-	(2)	-	-	-	-	-		-	-	(2)
Disposed with discontinued operation	-	(17)	(1)	(324)	-	-	-	(59)	(15)	-	(416)
Transfers	-	-	-	-	-	(178)	178		-	-	-
At 31 December 2007	480	228	338	-	525	176	410	1,776	197	64	4,194
At 1 January 2008	480	228	338	-	525	176	410	1,776	197	64	4,194
Additions	-	75	175	-	-	177	-	-	-	16	443
Additions through business combinations	-	-	-	-	-	-	-	21	-	169	190
Disposals	-	-	-	-	-	(16)	-	-	-	-	(16)
Disposed through disposals of subsidiaries	-	(3)	(3)	-	-	-	-	(13)	-	-	(19)
Transfers	-	49	-	-	-	(286)	237	-	-	-	-
At 31 December 2008	480	349	510	-	525	51	647	1,784	197	249	4,792

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Mln RUR	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Amortisation											
At 1 January 2007	(20)	(104)	(186)	(254)	(41)	-	-	-	(10)	(43)	(658)
Amortisation charge	(15)	(63)	(38)	(17)	(40)	-	(17)	-	(29)	-	(219)
Disposed with discontinued operation	-	8	1	260	-	-	-	-	4	-	273
Transfers	-	-	(11)	11	-	-	-	-	-	-	-
At 31 December 2007	(35)	(159)	(234)	-	(81)	-	(17)	-	(35)	(43)	(604)
At 1 January 2008	(35)	(159)	(234)	-	(81)	-	(17)	-	(35)	(43)	(604)
Amortisation charge	(18)	(69)	(65)	-	(45)	-	(40)	-	(22)	(3)	(262)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	(96)	(87)	(146)	-	(377)	-	-	(1,340)	(44)	(175)	(2,265)
Transfers	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2008	(149)	(315)	(445)	-	(503)	-	(57)	(1,340)	(101)	(221)	(3,131)
Net Book Value											
At 1 January 2007	408	114	60	50	443	178	32	371	145	2	1,803
At 31 December 2007	445	69	104	-	444	176	393	1,776	162	21	3,590
At 31 December 2008	331	34	65	-	22	51	590	444	96	28	1,661

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Mln USD*	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2007	15	7	8	10	16	6	1	13	5	2	83
Additions	-	-	3	1	-	6	7	-	-	-	17
Additions through business combinations restated (note 7)	2	1	-	-	1	-	-	50	2	1	57
Disposals	-	-	-	-	-	-	-	-	-	-	-
Disposed with discontinued operation	-	(1)	-	(11)	-	-	-	(2)	(1)	-	(15)
Transfers	-	-	-	-	-	(6)	6	-	-	-	-
At 31 December 2007	17	7	11	-	17	6	14	61	6	3	142
At 1 January 2008	17	7	11	-	17	6	14	61	6	3	142
Additions	-	3	6	-	-	6	-	-	-	1	15
Additions through business combinations	-	-	-	-	-	-	-	1	-	6	7
Disposals	-	-	-	-	-	(1)	-	-	-	-	(1)
Disposed through disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	2	-	-	-	(10)	8	-	-	-	-
At 31 December 2008	17	12	17	-	17	1	22	62	6	9	163

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Mln USD*	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Amortisation											
At 1 January 2007	(1)	(4)	(6)	(9)	(1)	-	-	-	-	(1)	(22)
Amortisation charge	(1)	(2)	(1)	(1)	(1)	-	(1)	-	(1)	-	(7)
Disposed with discontinued operation	-	-	-	9	-	-	-	-	-	-	9
Transfers	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2007	(2)	(6)	(7)	-	(2)	-	(1)	-	(1)	(1)	(20)
At 1 January 2008	(2)	(6)	(7)	-	(2)	-	(1)	-	(1)	(1)	(20)
Amortisation charge	(1)	(2)	(2)	-	(2)	-	(1)	-	(1)	-	(9)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	(3)	(3)	(5)	-	(13)	-	-	(46)	(1)	(6)	(77)
Transfers	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2008	(6)	(11)	(14)	-	(17)	-	(2)	(46)	(3)	(7)	(106)
Net Book Value											
At 1 January 2007	14	4	2	2	15	6	1	13	5	1	61
At 31 December 2007	15	1	4	-	15	6	13	61	5	2	122
At 31 December 2008	11	1	3	-	-	1	20	16	3	2	57

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(a) Prepayments and cable network connections

In 2008 the Group prepaid an additional amount of RUR 10 million/ USD* 0.3 million to the provider of the cable network connection in Moscow. The connection will be completed in 2009. In 2008 the provider completed the installation work which cost RUR 237 million /USD* 8 million, including work prepaid in 2007 in the amount of RUR 127 million/ USD* 4 million.

The remained part of RUR 41 million/ USD* 1 million related to prepayments for software.

(b) Amortization charge

All the amortization charge for the year is included in "Cost of sales".

(c) Impairment testing and write off

All intangible assets were tested for impairment as at 31 December 2008 within those cash generating units where they belonged (note 17). In addition, the Group recognised a full individual impairment loss in respect of certain intangible assets with the total carrying value of RUR 96 million /USD* 3 million due to inability either to sell or to use them. Those intangible assets included all intangible assets and goodwill of "Square Meter" acquired in 2007 in the total amount of RUR 31 million/ USD* 1 million, software in the amount of RUR 38 million/USD*1 million, internet brands and websites in the total amount of RUR 27 million/ USD* 1 million.

17 Impairment

For the purposes of impairment testing, the goodwill has been allocated to six cash generating units, namely Consumer internet, Salon, Hosting, Amida, OJSC RBC Bank and CJSC TRK MKS. These cash generating units included respective Group entities whose acquisition resulted in recognition of the goodwill. These units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

For the purpose of impairment testing all other non-financial assets of the Group have been allocated to twelve cash generating units as set out below. The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external sources and internal sources.

(i) Consumer internet business

This cash generating unit comprises consumer internet, which attracts advertising revenue from third parties. The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected based on actual operating results for 2008 and the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year;
- Annual revenue from internet advertising was projected to fall by 53% in 2009 as compared to 2008, and to increase in the following years by 45% per year;
- Annual expenses were projected to fall by 64% in 2009 as compared to 2008, and to increase by 14% in 2010, by 12% in 2011, by 15% in 2012 and by 13% in 2013;

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- A nominal after-tax discount rate of 20% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment loss of RUR 1,183 million/ USD* 40 million, of which RUR 645 million/ USD*22 million were allocated to goodwill and RUR 538 million/ USD* 18 million were allocated to other intangible assets.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have increased the impairment loss by RUR 33 million /USD* 1 million.
- A 10% decrease in annual sales would have increased the impairment loss by RUR 187 million/USD* 6 million.

(ii) Salon business

This cash generating unit includes subsidiaries of EDI S Press Holding, involved in publishing and distribution of magazines “Idei Vashego Doma”, “Interier-Magazin”, “Salon-Interier” and others, in Russia and Ukraine.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual advertising sales were projected to change in line with Russian market of print advertising (30% decline in 2009, 6% growth in 2010, 12% growth in 2011, 19% growth in 2012 and 17% growth in 2013);
- Annual internet advertising sales were projected to change in line with Russian internet advertising market (33% growth in 2009, 30% growth in 2010, 33% growth in 2011, 36% growth in 2012 and 34% growth in 2013);
- Annual sales of prints have been projected to decline 50% in 2009, and to grow 20% in 2010, 30% in 2011, 20% in 2012 and 10% in 2013;
- Annual expenses were projected to decline by 23% in 2009 and to increase by 10% in 2010, by 14% in 2011, by 16% in 2012 and by 14% in 2013;
- A nominal after-tax discount rate of 17% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment loss of RUR 465 million/ USD* 16 million, of which RUR 353 million/ USD*12 million were allocated to goodwill and RUR 112 million/ USD* 4 million were allocated to other intangible assets.

The above estimates are particularly sensitive in the following areas:

- A one per cent increase in the discount rate used would have increased the impairment loss by RUR 31 million /USD* 1 million;

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- A 10% decrease in annual sales would have increased the impairment loss by RUR 181 million /USD* 6 million.

(iii) Business Internet

This cash generating unit includes subsidiaries involved in business internet activities.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and on the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual internet advertising sales were projected to change in line with the Russian internet advertising market (33% growth in 2009, 30% growth in 2010, 33% growth in 2011, 36% growth in 2012 and 34% growth in 2013);
- Annual expenses were projected to increase by 16% in 2009, by 28% in 2010, by 32% in 2011, by 34% in 2012 and by 33% in 2013;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

(iv) Business Print

This cash generating unit includes subsidiaries involved in publication and distribution of the newspaper “RBC daily” and magazine “RBC” in Russia.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and on the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual sales of advertising in prints were projected to change in line with the Russian print advertising market (3% decline in 2009, 6% growth in 2010, 12% growth in 2011, 19% growth in 2012 and 17% growth in 2013);
- Annual expenses were projected to decline by 13% in 2009, and to increase by 8% in 2010, by 13% in 2011, by 19% in 2012 and by 18% in 2013;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

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As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

(v) Business TV

This cash generating unit includes subsidiaries involved in operating RBC-TV channel in Russia and abroad.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and on the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual TV advertising sales were projected to change in line with the Russian TV advertising market (8% growth in 2009, 15% growth in 2010, 20% growth in 2011, 25% growth in 2012 and 23% growth in 2013);
- Annual expenses were projected to decline by 24% in 2009 and increase by 16% in 2010, by 19% in 2011, by 24% in 2012 and by 22% in 2013;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

(vi) Hosting business

This cash generating unit includes subsidiaries involved in provision of web hosting services in Russia.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and on the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year;
- Domain registration tariffs were projected to decline by 40% in 2009 and by 20% in 2010, and to remain stable in 2011-2013. Hosting tariffs were projected to decline by 10% each year;
- Annual expenses were projected to increase by 18% in 2009, by 18% in 2010, by 15% in 2011, by 10% in 2012 and by 7% in 2013;

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- A nominal after-tax discount rate of 20% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment loss of RUR 91 million/ USD* 3 million, which was fully allocated to goodwill.

The above estimates are particularly sensitive in the following areas:

- A one per cent increase in the discount rate would have increased the impairment loss by RUR 32 million /USD* 1 million.
- A 10% decrease in annual sales would have increased the impairment loss by RUR 141 million /USD* 5 million.

(vii) TRK MKS

This cash generating unit includes CJSC TRK Molodaya Kultura Sibiri, which provides RBC-TV broadcasting services in Novosibirsk region.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2008 and the five-year business plan for 2009-2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year;
- Annual TV advertising sales were projected to change in line with the Russian TV advertising market (8% growth in 2009, 15% growth in 2010, 20% growth in 2011, 25% growth in 2012 and 23% growth in 2013);
- Annual EBITDA was projected to be 20% in 2009, 23% in 2010, 25% in 2011, 28% in 2012 and 30% in 2013;
- A nominal after-tax discount rate of 17% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment loss of RUR 167 million/ USD* 6 million, of which RUR 16 million/USD* 1 million were allocated to goodwill and RUR 151 million/ USD* 5 million were allocated to TV broadcasting license.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate would have increased the impairment loss by RUR 1 million /USD* 0.03 million;
- A 10% decrease in annual sales would have increased the impairment loss by RUR 2 million /USD* 0.07 million.

(viii) Amida

This cash generating unit includes subsidiaries involved in publishing magazine “Nashi Den’gi” distributed in Russia and abroad.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

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

- Cash flows were projected to be based on actual operating results for 2008 and the five-year business plan for 2009 – 2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year
- Annual print advertising sale were projected to be in line with Russia print advertising market (3% decrease in 2009, 6% growth in 2010, 12% growth in 2011, 19% growth in 2012 and 17% growth in 2013);
- Annual sales of the magazines were projected to decline by 50% in 2009, and to grow by 20% in 2010, by 30% in 2011, by 20% in 2012 and by 10% in 2013;
- Annual expenses were projected to decline by 37% in 2009, and to increase by 8% in 2010, by 9% in 2011, by 12% in 2012 and by 11% in 2013;
- A nominal after-tax discount rate of 17% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment loss of RUR 44 million/ USD* 2 million, of which RUR 24 million/USD* 1 million were allocated to goodwill and RUR 20 million/ USD* 1 million were allocated to other intangible assets.

The above estimates are particularly sensitive in the following areas:

- A 1% increase in the discount rate would cause the impairment loss to increase by RUR 1 million /USD* 0.03 million;
- A 10% decrease in annual sales would cause the impairment loss to increase by RUR 13 million /USD* 0.4 million.

(ix) *OJSC RBC Bank*

The impairment review of non-financial assets of OJSC RBC Bank in 2008 was performed using the market approach. The market approach in this particular case involved the application of average equity multiple (also referred to as market capitalization to net assets multiple) of 0.76 determined on the basis of publicly available data from observable recent market of the similar instruments, i.e. shares of other banks comparable in size and marketability with OJSC RBC Bank, to arrive at a fair value estimate for 100% of OJSC RBC Bank 's equity at 31 December 2008.

The impairment review indicated impairment of goodwill of OJSC RBC Bank and its intangible assets of RUR 234 million/ USD*8 million, which has been allocated to goodwill in the amount RUR 194 million/USD* 7 million, to licenses in the amount of RUR 25 million/USD* 1 million, and to deferred tax assets in the amount of RUR 15 million/USD* 1 million.

An increase/decrease of 10% in the ‘price to equity’ multiple would result in a decrease/increase of impairment loss by RUR 15 million/USD* 1 million.

(x) *Atwood Lake Ltd*

The Group performed an impairment testing of the investment in equity accounted investee, Atwood Lake Ltd., at 31 December 2008.

The following key assumptions for impairment testing were used:

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

- Cash flows were projected based on actual operating results for 2008 and the five-year business plan for 2009 – 2013. Net cash flows in the post-forecast period were determined assuming a 5% growth per year;
- Annual advertising sale were projected to decline in 2009 by 26%, and to grow by 85% in 2010, by 43% in 2011, by 18% in 2012, and by 104% in 2013;
- Annual subscription sales were projected to grow in 2009 by 29%, by 85% in 2010, by 43% in 2011, by 18% in 2012 and by 13% in 2013;
- Annual expenses were projected to increase by 62% in 2009, by 70% in 2010, by 120% in 2011, by 72% in 2012 and by 63% in 2013;
- A nominal after-tax discount rate of 21.5% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment of the equity investment in Atwood Lake Ltd. of RUR 385 million/USD* 13 million.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have increased the impairment loss by RUR 64 million/USD* 2 million;
- A 10% decrease in annual sales would have increased the impairment loss by RUR 203 million/ USD* 7 million.

(xi) Limandora

The Group performed an impairment testing of the investment in its equity accounted investee, Limandora Ltd, at 31 December 2008.

The following key assumptions for impairment testing were used:

- Cash flows were projected based on actual operating results for 2008 and the five-year business plan for 2009 – 2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year;
- Annual sales and cost were projected based on the similar web-site`s growth in another country;
- No sales were projected in 2009 (the first year of operations). Annual advertising sales were projected at RUR 12 million/ USD* 0.4 million in 2010, and to grow by 120% in 2011, by 82% in 2012, and by 75% in 2013;
- The ratio of annual EBITDA to sales revenue was projected to be -108% in 2010, -9% in 2011, 27% in 2012 and 46% in 2013;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment of the equity investment in Limandora Ltd. of RUR 85 million/USD* 3 million.

The above estimates are particularly sensitive in the following areas:

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

- An increase of one percentage point in the discount rate used would have increased the impairment loss by RUR 6.5 million /USD* 0.22 million;
- A 10% decrease in annual sales would have increased the impairment loss by RUR 19 million /USD* 1 million.

(xii) CJSC Yuzhny Region – Telekommunikacii

The Group performed an impairment testing of the investment in its equity accounted investee, CJSC Yuzhny Region-Telekommunikacii, at 31 December 2008.

The following key assumptions for impairment testing were used:

- Cash flows were projected based on actual operating results for 2008 and the five-year business plan for 2009 – 2013. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual TV advertising sale were projected to be in line with Russia TV advertising market (8% grown in 2009, 15% grown in 2010, 20% grown in 2011, 25% grown in 2012 and 23% grown in 2013);
- The ratio of annual EBITDA to sales revenue was projected to be 9% in 2009, 15% in 2010, 21% in 2011, 27% in 2012 and 30% in 2013;
- A nominal after-tax discount rate of 17% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

The cash flow testing conducted at the above assumptions resulted in an impairment of the equity investment in CJSC Yuzhny Region – Telekommunikacii by RUR 97 million/USD* 3.3 million.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have increased the impairment loss by RUR 2.3 million /USD* 0.08 million;
- A 10% decrease in annual sales would have increased the impairment loss by RUR 3.1 million /USD* 0.1 million.

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

The impairment loss recognized by the Group as of 31 December 2008 is summarized in the table below:

Impairment loss allocation as at 31 December 2008, Mln RUR

Cash generating unit	Goodwill	Intangible assets	Investment	Deferred tax assets	Total
Consumer internet business	645	538	-	-	1,183
Salon business	353	112	-	-	465
Business Internet	-	-	-	-	-
Business Print	-	-	-	-	-
Business TV	-	-	-	-	-
Hosting business	91	-	-	-	91
TRK MKS	16	151	-	-	167
Amida	24	20	-	-	44
OJSC RBC Bank	194	25	-	15	234
Atwood Lake Ltd.	-	-	385	-	385
Limandora	-	-	85	-	85
CJSC Yuzhny Region-Telecommunikacii	-	-	97	-	97
OOO Yuzhny Region	-	-	38	-	38
OOO Fidel Solutions	-	-	12	-	12
Other intangible assets	17	79	-	-	96
	1,340	925	617	15	2,896

Impairment loss allocation as at 31 December 2008, Mln USD*

Cash generating unit	Goodwill	Intangible assets	Investment	Deferred tax assets	Total
Consumer internet business	22	18	-	-	40
Salon business	12	4	-	-	16
Business Internet	-	-	-	-	-
Business Print	-	-	-	-	-
Business TV	-	-	-	-	-
Hosting business	3	-	-	-	3
TRK MKS	1	5	-	-	6
Amida	1	1	-	-	2
OJSC RBC Bank	7	1	-	-	8
Atwood Lake Ltd.	-	-	13	-	13
Limandora	-	-	3	-	3
CJSC Yuzhny Region-Telecommunikacii	-	-	3	-	3
OOO Yuzhny Region	-	-	1	-	1
OOO Fidel Solutions	-	-	-	-	-
Other intangible assets	1	3	-	-	3
	46	31	21	-	99

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

18 Prepayment for shares

(a) Prepayment for shares of LLC "RBC Money"

In 2008 the Group entered into agreement to acquire 74% interest in LLC "Rupay" for RUR 90 million/ USD* 3 million. LLC "Rupay" provided services of electronic cash online payments. Upon signing the acquisition agreement the entity had been renamed ino LLC "RBC Money". A part of the purchase consideration in the amount of RUR 50 million/ USD* 2 million was settled in 2008 in the form of advertising services on RBC media resources provided by the Group to LLC "RBC Money". The prepayment has been tested for impairment within the cash generating unit "Business Internet" (note 17). No impairment has been recognized as of 31 December 2008 with regard to this balance.

Subsequent to 31 December 2008, the Group settled the remaining part of the purchase consideration in the amount of RUR 40 million/USD* 1 million in cash, and acquired title for the shares (note 38).

(b) Prepayment for shares in 2007

(i) Prepayment for shares of Atwood Lake Ltd

In 2007 the Group made a prepayment of RUR 491 million / USD* 17 million for 40% shares in a company which owns a number of internet resources (note 19).

(ii) Prepayment for shares of LLC Yuzhny Region

In 2007 the Group made a prepayment of RUR 50 million /USD* 2 million for a 50% shareholding in a media company with the aim of operating a business newspaper and a web-site. The total amount of the purchase consideration is RUR 51 million/ USD* 2 million. The title for the shares was transferred to the Group in 2008. See note 19.

19 Equity accounted investees

As of 31 December 2008 the Group had the following investments in equity accounted investees:

	Carrying value before impairment loss Mln RUR	**Impairment loss Mln RUR**	**Carrying value at 31 December 2008 Mln RUR**
Atwood Lake Ltd.	1,194	(385)	809
Limandora Ltd.	133	(85)	48
CJSC Yuzhny Region-Telecommunikacii	124	(97)	27
LLC Yuzhny Region	38	(38)	-
LLC Fidel Solutions	12	(12)	-
	1,501	(617)	884

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

	Carrying value before impairment loss Mln USD*	Impairment loss Mln USD*	Carrying value at 31.12.2008 Mln USD*
Atwood Lake Ltd.	41	(13)	28
Limandora Ltd.	5	(3)	2
CJSC Yuzhny Region-Telecommunikacii	4	(4)	-
LLC Yuzhny Region	1	(1)	-
LLC Fidel Solutions	-	-	-
	51	(21)	30

As at 31 December 2007 investments in equity accounted investees comprised investments in 50% shares of ZAO Yuzhny Region Telecommunikacii at the amount of RUR 114 million/ USD* 4 million.

In 2007 the Group recognised income of RUR 1 million/ USD* 0 million. No impairment loss was recognised as at 31 December 2007.

The following is summarised financial information, in aggregate, in respect of equity accounted investees:

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Total assets	553	204	19	7
Total liabilities	(29)	-	(1)	-
Revenue	77	24	3	1
(Loss)/profit for the year	(620)	2	(21)	-

Loss from investments in equity accounted investees for the year ended 31 December 2008 in the amount or RUR 620 million/ USD* 21 million includes impairment loss in the amount of RUR 617 million/USD* 21 million.

(a) Atwood Lake Ltd

In September 2008 the Group completed acquisition 40% of the shares in Atwood Lake Ltd for RUR 1,194 million/USD* 41 million in cash. A prepayment of RUR 491 million/USD* 16.7 million was made in 2007, the remained part of purchase consideration of RUR 703 million/USD* 24 million was paid in 2008. Atwood Lake Ltd provides file sharing, storage and back up services.

The Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree as at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Brand	48	2	indefinite
Software	21	1	3 years
	69	3	

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(b) Limandora Ltd

In April 2008 the Group acquired 51% of the shares in Limandora Ltd for RUR 133 million/USD* 4.5 million in cash. Limandora Ltd. owns an internet resource representing a social network for children. Although the Group acquired 51% of Limandora Ltd., the Group does not control Limandora Ltd, but has significant influence over it and has accordingly accounted for it under the equity method.

(c) CJSC Yuzhny Region – Telekommunikacii

The Group acquired 50% of CJSC Yuzhny Region – Telekommunikacii in October 2007 for RUR 114 million/ USD* 4 million. Per agreement with the seller, the purchase consideration was increased in 2008 by RUR 13 million/ USD* 0.4 million.

In 2008 the Group recognised a loss of RUR 3 million/ USD* 0.1 million from investments in CJSC Yuzhny Region – Telekommunikacii (2007: RUR 1 million/ USD* 0.03 million).

(d) LLC Yuzhny Region

In 2008 the Group completed acquisition of 50% LLC Yuzhny Region for RUR 51 million/USD* 1.7 million. In 2008 the Group recognised loss of RUR 13 million/ USD* 0.4 million from investments in LLC Yuzhny Region.

LLC Yuzhny Region is a media company. At the time of its acquisition, the Group expected to integrate LLC Yuzhny Region into the activities of its printing segment. However in 2008 the carrying value of the investment of RUR 38 million/USD* 2 million was considered unrecoverable, and an impairment loss for the total carrying value of the investment was recognised as at 31 December 2008.

(e) LLC Fidel Solutions

In August 2008 the Group lost control over LLC Fidel Solutions, decreasing its ownership from 51% to 40.8%. At the end of reporting period Group retained significant influence over LLC Fidel Solutions.

In 2008 the Group recognised profit of RUR 12 million/ USD* 0.4 million from investments in LLC Fidel. The full impairment of the investment of LLC Fidel RUR 12 million/USD* 0.4 million was recognized as at 31 December 2008.

In 2009 Group disposed of all of its interest in LLC Fidel Solutions (note 38).

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

20 Other investments

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Non-current				
Investments designated at fair value through profit and loss	-	901	-	31
Loans granted	-	11	-	-
Loans granted to employees	5	-	-	-
	5	**912**	**-**	**31**
Current				
Loans granted to third parties	58	8	2	-
Bank promissory notes held to maturity	54	134	2	5
Investments held for trading	20	2,840	1	98
Investments available for sale	13	-	-	-
Loans granted to related parties	2	32	-	-
Loans granted to employees	1	-	-	-
Investments designated at fair value through profit and loss	-	24	-	1
	148	**3,038**	**5**	**104**

Investments held-for-trading include shares, bonds and promissory notes of Russian companies which are traded on the RTS and Moscow Stock Exchange.

21 Other assets

Other assets represent contracts for the acquisition of property in the amount of RUR 122 million/ USD* 4 million (2007: RUR 57 million/USD* 2 million) for the construction of apartments in residential buildings in Moscow and Moscow region and are stated at cost. Group management assessed their fair values as at 31 December 2008 to be RUR 188 million/USD* 6 million. The fair value has been determined by reference to the market prices.

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

22 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net		Movement
Mln RUR	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	
Property, plant and equipment	3	-	(33)	(44)	(30)	(44)	14
Intangible assets	3	-	(112)	(114)	(109)	(114)	5
Investments	1	3	(3)	(2)	(2)	1	(3)
Inventories	3	1	-	-	3	1	2
Trade and other receivables	2	9	(2)	(12)	-	(3)	3
Prepaid expenses	1	16	(5)	-	(4)	16	(20)
Cash and cash equivalents	-	-	(1)	-	(1)	-	(1)
Loans and borrowings	-	-	-	-	-	-	-
Trade and other payables	2	-	(5)	-	(3)	-	(3)
Tax loss carry forwards	-	69	-	-	-	69	(69)
Tax assets/(liabilities)	15	98	(161)	(172)	(146)	(74)	(72)
Set off of tax	(15)	(98)	15	98	-	-	-
Net tax assets/(liabilities)	-	-	(146)	(74)	(146)	(74)	(72)

	Assets		Liabilities		Net		Movement
Mln USD*	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	
Property, plant and equipment	-	-	(1)	(2)	(1)	(2)	-
Intangible assets	-	-	(4)	(4)	(4)	(4)	-
Investments	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	-
Prepaid expenses	-	1	-	-	-	1	(1)
Cash and cash equivalents	-	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-
Tax loss carry-forwards	-	2	-	-	-	2	(2)
Tax assets/(liabilities)	-	3	(5)	(6)	(5)	(3)	(3)
Set off of tax	-	(3)	-	3	-	-	-
Net tax assets/(liabilities)	-	-	(5)	(3)	(5)	(3)	(3)

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

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Tax loss carry-forwards	157	29	5	1

The tax losses in amount of RUR 128 million/ USD* 5 million expire in 2019 and in amount of RUR 29 million / USD* 1 million expire in 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(c) Movement in temporary differences during the year

Mln RUR	1 January 2007	Recognised in income in 2007	Acquired through business combinations in 2007	Disposed in discontinued operation in 2007	31 December 2007	Recogni sed in income in 2008	31 December 2008
Property, plant and equipment	(46)	(1)	-	3	(44)	14	(30)
Intangible assets	(37)	(81)	-	4	(114)	5	(109)
Investments	(5)	5	-	1	1	(3)	(2)
Inventories	1	-	-	-	1	2	3
Trade and other receivables	2	5	(11)	1	(3)	3	-
Prepaid expenses	(1)	14	3	-	16	(20)	(4)
Cash and cash equivalents	-	-	-	-	-	(1)	(1)
Trade and other payables	-	-	-	-	-	(3)	(3)
Tax loss carry-forwards	-	69	-	-	69	(69)	-
	(86)	11	(8)	9	(74)	(72)	(146)

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

Mln USD*	1 January 2007	Recognised in income in 2007	Acquired through business combinations in 2007	Disposed in discontinued operation in 2007	31 December 2007	Recognised in income in 2008	31 December 2008
Property, plant and equipment	(2)	-	-	-	(2)	-	(2)
Intangible assets	(1)	(3)	-	-	(4)	-	(4)
Investments	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-
Tax loss carry-forwards	-	2	-	-	2	(2)	-
	(3)	(1)	-	-	(4)	(2)	(6)

(d) Unrecognised deferred tax liability

A deferred tax liability for temporary difference of RUR 790 million / USD* 27 million (2007: RUR 1,547 million/ USD* 63 million) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

23 Inventories

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Goods for resale	21	19	1	1
Raw materials and consumables	9	12	-	-
Work in progress	4	6	-	-
Finished goods	3	3	-	-
	37	40	1	1
Write-down of inventories in the current year	11	21	-	1

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

24 Trade and other receivables

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Trade accounts receivable	1,208	989	41	34
Other receivables	135	325	5	11
VAT receivable	56	42	2	1
Other prepayments	27	197	1	7
Deferred expenses	19	30	-	1
Interest receivable	-	3	-	-
	1,445	1,586	49	54
Provision for doubtful debts	(584)	(52)	(20)	(2)
Total accounts receivable	861	1,534	29	52

Provision for doubtful debts includes RUR 571 million/USD* 19 million of provision for doubtful trade accounts receivable.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 32.

Other receivables of RUR 135 million/ USD* 5 million include short-term loans issued by OJSC RBC Bank to its customers of RUR 80 million/USD* 3 million.

25 Cash and cash equivalents

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Cash in accounts of OJSC RBC Bank	644	376	22	13
Cash balance of other Group companies				
Bank balances and petty cash of other companies of the Group	313	1,083	11	37
Bank deposits of other companies of the Group	40	1,850	1	63
Cash held by brokers	-	371	-	12
	353	3,304	12	112
Cash and cash equivalents in the balance sheet	**997**	**3,680**	**34**	**125**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 32.

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

26 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	Ordinary shares 2008	Ordinary shares 2007
Authorised shares	140 000 000	119 260 000
Par value	RUR 0,001	RUR 0,001
On issue at beginning of year	140 000 000	119 260 000
Issued for cash	-	20 740 000
On issue at end of year, fully paid	140 000 000	140 000 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Holders of preference shares have no right of conversion or redemption, but are entitled to an annual dividend equal to the greater of 10% of net statutory profit and the dividend attributable to ordinary shareholders. If the dividend is not paid, preference shares carry the right to vote until the following Annual Shareholders' Meeting. However, the dividend is not cumulative. The preference shares also carry the right to vote in respect of issues that affect the interests of preference shareholders, including reorganisation and liquidation.

In the event of liquidation preference shareholders first receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

(b) Treasury shares

At the balance sheet date the Group held 4,943,558 (2007: 1,278,501) of its own shares.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2008, the Company had a retained deficit, including the loss for the current year, of RUR 710 million/ USD* 24 million (31 December 2007: retained earnings of RUR 11 million/ USD* 0.5 million). No dividends have been recommended by the directors.

(d) ADR

The company established a Level-1 ADR program (ticker symbol: RINFY, CISIP number: 75523Q102) for its common stock on 24 March 2005 through Bank of New York, One ADR represents four ordinary shares of the Company. ADR are tradable on the OTC market. The main goal of the issue was to enable international retail and institutional investors to participate in the share capital of the Company. As of 31 December 2008, 6,395,432 (2007: 10,418,384) of the Company's shares were reserved for ADR in depository by Bank of New York.

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

27 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share as at 31 December 2008 was based on the loss/profit for the year and the weighted average number of ordinary shares outstanding during the year of 137,108 thousand (2007: 116,739 thousand), calculated as follows:

In thousands of shares	2008	2007
Issued shares at 1 January	140,000	119,260
Own shares held at 1 January	(1,278)	(4,793)
Effect of options exercised in January	229	-
Effect of own shares acquired in March	(862)	(180)
Effect of own shares acquired in April	(12)	-
Effect of own shares acquired in June	(155)	-
Effect of own shares acquired in July	(384)	-
Effect of own shares acquired in August	(206)	-
Effect of options exercised in August	-	280
Effect of own shares acquired in September	(224)	-
Effect of options exercised in September	-	-
Effect of shares purchased in November	-	(3)
Effect of options exercised in November	-	614
Effect of shares issued in December	-	1,561
Weighted average number of shares for the year ended 31 December	137,108	116,739

There were no potentially dilutive ordinary shares at 31 December 2008 (2007: 224 thousand shares).

In thousands of shares	2008	2007
Weighted average number of shares	137,108	116,739
Effect of dilutive potential ordinary to be issued under share option program of July 2002	-	224
Weighted average number of shares at 31 December	137,108	116,963

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

28 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 32.

	2008 Mln RUR	2007 Mln RUR, restated	2008 Mln USD*	2007 Mln USD*, restated
Non-current liabilities				
Subordinated loans of OJSC RBC Bank at 5%	-	123	-	4
Other loans	4	-	-	-
	4	123	-	4
Current liabilities				
Unsecured bond issues	3,146	-	107	-
Credit linked notes at 9,5%	1,284	2,460	44	84
Credit linked notes at 11,25%	1,002	1,104	34	37
Unsecured bank loans	151	258	5	9
Other loans	10	38	-	1
	5,593	3,860	190	131

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2008		2007, restated	
Mln RUR	**Cur-rency**	**Nominal interest rate**	**Year of matu-rity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Unsecured bond issues							
Bonds (issue BO-5)	RUR	10.96%	2009	1,578	1,578	-	-
Bonds (issue BO-4)	RUR	12.22%	2009	1,568	1,568	-	-
Credit linked notes							
Dresdner Bank AG	USD	9.5%	2009	1,284	1,284	2,460	2,460
Barclays Capital Bank	USD	11.25%	2009	1,002	1,002	1,104	1,104
Unsecured bank loans							
ABN-AMRO Bank	USD	5%+LIBOR	2008	151	151	128	128
Narodnij Credit	RUR	9%	2008	-	-	130	130
Subordinated loans payable by OJSC RBC Bank	USD	5.00%	2009	-	-	123	123

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

				2008		2007, restated	
Mln USD*	**Cur-rency**	**Nominal interest rate**	**Year of matu-rity**	**Face value**	**Carrying amount**	**Face value**	**Carry-ing amount**
Unsecured bond issues							
Bonds (issue BO-5)	RUR	10.96%	2009	54	54	-	-
Bonds (issue BO-4)	RUR	12.22%	2009	53	53	-	-
Credit linked notes							
Dresdner Bank AG	USD	9.50%	2009	44	44	84	84
Barclays Capital Bank	USD	11.25%	2009	34	34	38	38
Unsecured bank loans							
ABN AMRO Bank	USD	5%+ LIBOR	2008	5	5	4	4
Narodnij Credit	RUR	9%	2008	-	-	4	4
Subordinated loans payable by OJSC RBC Bank	USD	5.00%	2009	-	-	4	4

The unsecured bank loans and credit linked notes are subject to certain financial covenants. At 31 December 2008 the Group was in breach of those covenants. Also at 31 December 2008 the Group was in default on repayment of the unsecured bank loans of ABN Amro Bank and Bank Narodny Kredit. Subsequent to 31 December 2008 the Group also failed to repay the credit linked notes and unsecured Rouble bonds. The subordinated loans of OJSC RBC Bank were repaid by the Group in 2008 prior to their contractual maturity.

29 Share-based payments

(a) Share option program set up in 2006

In July 2006 the Compensation Committee of the Group set up another option program for the members of the Board of Directors and a top manager.

Under this program within a 3-year period the members of the Board of Directors, provided that they continue working in the Company's Board of Directors during the service period, have an option to purchase in total up to 2,500,000 shares for USD 10.5 per share, which is 150% of the market price as at the grant date.

Due to the disposal of the IT business in 2007, the Compensation Committee of the Group reduced the exercise price to 9.2 USD per share. Other conditions of the share program remained unchanged.

In 2007 one of the top managers ceased to be on the Board of Directors and 166,667 of the options were forfeit.

In 2008 the Group recognised employee compensation expense of RUR 26 million/ USD* 1 million (recognised expense in 2007: RUR 43 million/ USD*1.4 million) in accordance with IFRS 2. But the management of the Group considers that share option program is not relevant due to the fall of the share prices and the expense should not be recognised.

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

(b) Share option program set up in 2002

The previous share option program set up in July 2002 was completed in 2008 in accordance with its terms.

30 Provisions

As at 31 December 2008 the following provisions were made:

	2008	2007	2008	2007
	Mln RUR	Mln RUR	Mln USD*	Mln USD*
Legal case provision	1,226	-	42	-
Income tax	46	32	2	1
Unused vacation provision	28	-	1	-
VAT	13	18	-	1
Late-payment interests and penalties related to VAT	8	8	-	-
Late-payment interests and penalties related to income tax	-	15	-	0
	1,321	73	45	2

The provision of RUR 1,226 million/USD* 42 million was made for liabilities to OJSC Alfa-Bank (note 35).

The provisions for additional income tax and VAT liabilities relate to the following tax exposures:

- During 2007 the Group provided internet advertising services to the discontinued operation (note 6) amounting to RUR 73 million/ USD* 3 million. The way these transactions were structured could be challenged by the Russian tax authorities. If such challenge were successful, it would result in the assessment of additional income tax, value added tax, penalties and late-payment interest amounting to approximately RUR 50 million/ USD* 2 million.
- In 2006 Russian tax authorities challenged the economic justification for the Group's transactions with certain suppliers in one month of 2005, and claimed additional tax payments for that period. As at 31 December 2006 the Group recognized a provision for additional tax liabilities, which could be assessed as a result of transactions with such suppliers for all periods open for review by the Russian tax authorities. As at 31 December 2008 the residual balance of provision for this tax exposure was RUR 3 million/ USD* 0.1 million.

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31 Trade and other payables

	2008 Mln RUR	2007 Mln RUR	2008 Mln USD*	2007 Mln USD*
Current accounts and deposits from customers	535	392	19	13
Trade accounts payable	417	554	14	19
Advances received	283	227	10	8
Other payables and accrued expenses	152	136	5	5
Other taxes payable	97	60	3	2
Payables for acquired shares in subsidiaries (note 7(c))	76	-	3	-
Deferred income	8	1	-	-
Payables for minority interests in subsidiaries (notes 7(b) and 7(d))	-	408	-	14
	1,568	1,778	54	61

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 32.

32 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

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(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. There are no customers to which the Group sells more than 10% of its turnover.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes a review of customers' financial statements and background of customers' managements. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance relates to individually significant exposures. Group has not a collective loss component of impairment established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group does not require collateral in respect of trade receivables.

(ii) Investments

Prior to the forth quarter 2008, when the financial markets suffered significant downturn, the Group limited its exposure to credit risk by investing in highly liquid securities, quoted on the RTS and MICEX. The Group mitigated the related credit risk through involving well-established investment companies and brokers to manage its investment portfolio to the benefit of the Group. However, due to the financial crisis the Group does not now invest in securities.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

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Exposure to credit risk

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

	Carrying amount		Carrying amount	
	Mln RUR 2008	Mln USD* 2008	Mln RUR 2007	Mln USD* 2007
Current financial assets				
Financial assets at fair value through profit or loss	20	1	2,864	97
Held-to-maturity investments	54	2	134	5
Loans granted	61	2	39	1
Trade receivables	637	22	937	32
Cash and cash equivalents	997	34	3,680	125
Non-current financial assets				
Loans granted	5	-	11	-
Financial assets at fair value through profit or loss	-	-	901	31
Total financial assets	1,774	61	8,566	291

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount		Carrying amount	
	Mln RUR 2008	Mln USD* 2008	Mln RUR 2007	Mln USD* 2007
Russia	605	21	649	22
Europe	32	1	288	10
	637	22	937	32

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross Mln RUR 2008	Impairment Mln RUR 2008	Gross Mln RUR 2007	Impairment Mln RUR 2007
Not past due	203	(8)	699	-
Past due 1-180	541	(206)	238	-
Past due 180-365	249	(196)	-	-
More than 1 year	215	(161)	52	(52)
	1,208	(571)	989	(52)

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

	Gross Mln USD* 2008	Impairment Mln USD* 2008	Gross Mln USD* 2007	Impairment Mln USD* 2007
Not past due	7	-	24	-
Past due 1-180	18	(7)	8	-
Past due 180-365	9	(7)	-	-
More than 1 year	7	(5)	2	(2)
	41	(19)	34	(2)

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

	2008 Mln RUR	2008 Mln USD*	2007 Mln RUR	2007 Mln USD*
Balance at 1 January	(52)	(2)	(18)	(1)
Allowance for impairment loss utilised	-	-	8	-
Impairment loss recognized	(519)	(18)	(42)	(1)
Balance at 31 December	(571)	(20)	(52)	(2)

The allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As at 31 December 2008 the Group had substantial borrowings payable within twelve months as (note 28); additionally, the Group was in breach of covenants or had defaulted in making loan repayments to all of its loan creditors. At the date when these consolidated financial statements are authorised for issue, the Group is involved in the process of restructuring its debts as described in note 2(e).

For the long-term perspective the Group analyzes five-year forecasts covering financial, operating and investing activities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2008	**Average Interest rate**									
Mln RUR	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**> 5 yrs**	**Total**
Payables	0%	0%	(1,073)	(203)	-	-	-	-	-	(1,276)
Loans and borrowings	9-13%	9-13%	(2,726)	(2,866)	(5)	-	-	-	-	(5,597)
Total non-derivative financial liabilities			(3,799)	(3,069)	(5)	-	-	-	-	(6,873)

2008	**Average Interest rate**									
Mln USD*	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**> 5 yrs**	**Total**
Payables	0%	0%	(37)	(7)	-	-	-	-	-	(44)
Loans and borrowings	9-13%	9-13%	(93)	(97)	-	-	-	-	-	(190)
Total non-derivative financial liabilities			(129)	(104)	-	-	-	-	-	(234)

2007, restated	**Average Interest rate**									
Mln RUR	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**> 5 yrs**	**Total**
Payables	0%	0%	(1,208)	(342)	-	-	-	-	-	(1,550)
Loans and borrowings	9-13%	9-13%	(1,400)	(2,460)	(123)	-	-	-	-	(3,983)
Total non-derivative financial liabilities			(2,608)	(2,802)	(123)	-	-	-	-	(5,533)

2007, restated	**Average Interest rate**									
Mln USD*	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**> 5 yrs**	**Total**
Payables	0%	0%	(41)	(12)	-	-	-	-	-	(53)
Loans and borrowings	9-13%	9-13%	(48)	(84)	(4)	-	-	-	-	(136)
Total non-derivative financial liabilities			(89)	(96)	(4)	-	-	-	-	(189)

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

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group does not buy or sell derivatives.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUR). The currency in which these transactions primarily are denominated is the U.S. Dollar (USD).

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD and RUR. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

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

Mln RUR	**USD-denominated 2008**
Financial assets	
Financial assets at fair value through profit or loss	-
Loans granted	9
Trade and other receivables	23
Cash and cash equivalents	740
Total financial assets	772
Trade and other payables	(1,610)
Loans and borrowings	(2,440)
Total financial liabilities	(4,050)
	(3,278)

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

Mln USD*	**USD-denominated 2008**
Financial assets	-
Financial assets at fair value through profit or loss	-
Loans granted	-
Trade and other receivables	1
Cash and cash equivalents	25
Total financial assets	26
Financial liabilities	
Trade and other payables	(55)
Loans and borrowings	(83)
Total financial liabilities	(138)
	(112)

Mln RUR	**USD-denominated 2007, restated**
Financial assets	
Financial assets at fair value through profit or loss	2,207
Loans granted	4
Trade and other receivables	1,056
Cash and cash equivalents	69
Total financial assets	3,336
Financial liabilities	
Trade and other payables	(75)
Loans and borrowings	(3,824)
Total financial liabilities	(3,899)
	(563)

Mln USD*	**USD-denominated 2007, restated**
Financial assets	
Financial assets at fair value through profit or loss	78
Loans granted	-
Trade and other receivables	37
Cash and cash equivalents	2
Total financial assets	117
Financial liabilities	
Trade and other payables	(3)
Loans and borrowings	(135)
Total financial liabilities	(138)
	(21)

The following significant exchange rates applied during the year:

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in RUR	Average rate		Reporting date spot rate	
	2008	**2007**	**2008**	**2007**
USD 1	24.8553	25.5759	29.3804	24.5462

(ii) Interest rate risk

Generally, the Group adopts a policy of fixed rates borrowings. However, the Group has a loan of RUR 151 million/ USD* 5 million with a floating interest rate of LIBOR+5%, which constitutes 3% of the total outstanding loans and borrowings of the Group as at 31 December 2008.

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 favourable to the Group over the expected period until maturity.

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

	Carrying amount Mln RUR 2008	Carrying amount Mln USD* 2008	Carrying amount Mln RUR 2007, restated	Carrying amount Mln USD* 2007, restated
Fixed rate instruments				
Financial assets	-	-	2,508	85
Financial liabilities	(5,446)	(185)	(3,855)	(131)
	(5,446)	(185)	(1,347)	(46)
Variable rate instruments				
Financial liabilities	(151)	(5)	(128)	(4)
	(151)	(5)	(128)	(4)

(iii) Other market price risk

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Financial Officer of the Group.

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(e) Sensitivity analysis

2008 **Mln RUR**	**Carrying amount**	**Interest rate risk sensitivity** + 200 basis points **Profit/ (loss)**	- 200 basis points **Profit/ (loss)**	**Currency risk sensitivity** +10% **Profit/ (loss)**	-10% **Profit/ (loss)**
Current financial assets					
Trade and other receivables	636	-	-	3	(3)
Cash and cash equivalents	998	-	-	76	(76)
Impact on financial assets before tax		-	-	79	(79)
Income tax (20%)		-	-	(16)	16
Impact on financial assets after tax		-	-	63	(63)
Current financial liabilities					
Payables	(1,276)	-	-	(161)	161
Loans and borrowings	(5,597)	(112)	112	(244)	244
Impact on financial liabilities before tax		(112)	112	(405)	405
Income tax (20%)		22	(22)	81	(81)
Impact on financial liabilities after tax		(90)	90	(324)	324
Total increase/ (decrease)		(90)	90	(261)	261

2008 **Mln USD***	**Carrying amount**	**Interest rate risk sensitivity** + 200 basis points **Profit/ (loss)**	- 200 basis points **Profit/ (loss)**	**Currency risk sensitivity** +10% **Profit/ (loss)**	-10% **Profit/ (loss)**
Current financial assets					
Trade and other receivables	22	-	-	-	-
Cash and cash equivalents	34	-	-	3	(3)
Impact on financial assets before tax		-	-	3	(3)
Income tax (20%)		-	-	(1)	1
Impact on financial assets after tax		-	-	2	(2)
Current financial liabilities					
Payables	(43)	-	-	(5)	5
Loans and borrowings	(191)	(4)	4	(8)	8
Impact on financial liabilities before tax		(4)	4	(13)	13
Income tax (20%)		1	(1)	3	(3)
Impact on financial liabilities after tax		(3)	3	(10)	10
Total increase/ (decrease)		(3)	3	(8)	8

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2007, restated		**Interest rate risk sensitivity**		**Currency risk sensitivity**	
		+ 200	- 200	+10%	-10%
Mln RUR		basis points	basis points		
	Carrying amount	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**
Current financial assets					
Investments at fair value through profit and loss	2,864	(50)	50	205	(205)
Trade and other receivables	1,265	-	-	106	(106)
Cash and cash equivalents	3,680	-	-	71	(71)
Non-current financial assets					
Investments at fair value through profit or loss	901	-	-	-	-
Impact on financial assets before tax		(50)	50	382	(382)
Income tax (24%)		12	(12)	(92)	92
Impact on financial assets after tax		(38)	38	290	(290)
Current financial liabilities					
Payables	(1,336)	-	-	(8)	8
Loans and borrowings	(3,983)	(80)	80	(382)	382
Impact on financial liabilities before tax		(80)	80	(390)	390
Income tax (24%)		19	(19)	94	(94)
Impact on financial liabilities after tax		(61)	61	(296)	296
Total increase/ (decrease)		(99)	99	(6)	6

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2007, restated		**Interest rate risk sensitivity**		**Currency risk sensitivity**	
Mln USD*		+ 200 basis points	- 200 basis points	+10%	-10%
	Carrying amount	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**
Current financial assets					
Investments at fair value through profit and loss	97	(2)	2	7	(7)
Trade and other receivables	43	-	-	4	(4)
Cash and cash equivalents	125	-	-	2	(2)
Non-current financial assets					
Investments at fair value through profit and loss	31	-	-	-	-
Impact on financial assets before tax		(2)	2	13	(13)
Income tax (24%)		-	-	(3)	3
Impact on financial assets after tax		(2)	2	10	(10)
Current financial liabilities					
Payables	(45)	-	-	-	-
Loans and borrowings	(136)	(3)	3	(13)	13
Impact on financial liabilities before tax		(3)	3	(13)	13
Income tax (24%)		1	(1)	3	(3)
Impact on financial liabilities after tax		(2)	2	(10)	10
Total increase/ (decrease)		-	-	-	-

(f) Fair values

Management believes that the fair value of the Group's financial assets and liabilities as at 31 December 2008 and 31 December 2007 approximated their carrying amounts. The methods used to determine fair values are disclosed in note 4.

(g) Capital management

The Board of Directors monitors the return on capital employed, which the Group defines as profit before tax and interest expenses (EBIT) divided by capital employed (total assets minus non interest-bearing current liabilities).

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board of Directors; the Group does not have a defined share buy-back plan.

One of subsidiaries of the Company, OJSC RBC Bank, is subject to externally imposed capital requirements imposed by the Central Bank of Russia. The Board has procedures in place to ensure that the bank complies with those requirements. Subsequent to 31 December 2008 OJSC RBC Bank was disposed (note 38(e)).

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33 Operating leases

The Group leases a number of offices and facilities under operating leases. Non-cancellable operating lease rentals are payable as follows:

	2008 Mln RUR	2008 Mln USD*	2007 Mln RUR	2007 Mln USD*
Less than one year	103	4	102	3
Between one and five years	210	7	268	9
More than five years	399	14	433	15
	712	25	803	27

The leases typically run for an initial period of less than one year, with an option to renew the lease after that date.

During the current year RUR 215 million / USD* 7 million was recognised in the income statement in respect of operating leases.

34 Commitments

In September 2008 the Group committed to acquire the remaining 8% minority interest in Valento Commerce for RUR 176 million/ USD* 6 million, subject to the condition of achieving a specified number of unique visitors of Valento's internet resources. Subsequent to 2008 the condition has been met. At the date when these consolidated financial statements are approved for issuance, the Group is in process of acquiring the 8% interest. Management expects to complete the acquisition in 2010.

In 2007 the Group had committed to provide free advertising services on RBC media resources at the value of RUR 123 million/ USD* 4 million and to transfer cash in the amount of RUR 74 million/USD* 3 million to its subsidiary LLC Fidel Solutions acquired in 2007. In 2008 the commitment was exercised in the amount of RUR 91 million/USD*3 million by provision of free-of-charge advertising services to LLC Fidel. Due to the loss of control and subsequent disposal of LLC Fidel Solution (note 7(d)) there is no commitment at the end of 2008.

35 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.

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(b) Litigation

At 31 December 2008 the Group was involved in the following significant litigations, and a number of creditors were demanding repayment of loans and borrowings on which the Group was in technical default (note 2(e)).

In 2008 OJSC Alfa-Bank sued the Group for the amount of RUR 1,226 million/ USD* 42 million to reimburse for the loss incurred by OJSC Alfa-Bank per forward agreements which the Group entered into in 2008 (note 30). Per court decision dated August 2009 the Group should repay to OJSC Alfa-Bank the amount of RUR 875 million/ USD* 29.8 million. However, OJSC Alfa-Bank continues to claim the original amount of RUR 1,226 million/ USD* 42 million from the Group. The Group made a provision for RUR 1,226 million/ USD* 42 million as of 31 December 2008.

The Group is also involved in various claims and legal proceedings arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will give a material adverse impact on the Group's operating results or financial position.

(c) Taxation contingencies

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

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

The Group 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 suppliers and 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 late-payment interest, could be material. The Group has recognised in these consolidated financial statements a provision for additional taxes and penalties, relating to payments to certain suppliers. A portion of this provision in the amount of RUR 32 million/ USD*1.1 million, recognized in prior years, was released in the year ended 31 December 2008 (note 30).

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The Group has a number of foreign subsidiaries. By means of revenue and expense allocation arrangements among Group companies in different jurisdictions, the Group's income tax liabilities are reduced (note 14). Such arrangements may be challenged by the tax authorities in Russia. Should such challenge be successful, it would result in the income of some or all of the Group's foreign subsidiaries being taxed in Russia. Management believes that it is not practicable to estimate the financial effect of such potential tax liabilities, in respect of current and previous years, which ultimately could be imposed on the Group. However, if such liabilities were imposed, the amounts involved could be material.

If the matters described above were successfully challenged by the Russian tax authorities, additional tax payments could become due together with penalties, ranging from 20% - 40% of the amount of underpaid taxes, and late-payment interest. Management has not provided any amounts in respect of such obligations in these consolidated financial statements, except for the provisions in note 30, as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

36 Related party transactions

(a) Control relationships

The Group has a controlling relationship with all of its subsidiaries (see note 37 for the list of significant subsidiaries).

(b) Transactions with management and close family members

(i) Management remuneration

During the year key management received the remuneration in the form of salaries and bonuses in amount of RUR 78 million/ USD* 3 million (2007: RUR 72 million/USD* 2 million) which is included in the personnel costs. In addition, certain directors participated in share option programs as described in the note 29.

(c) Transactions with other related parties

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

Mln RUR	**Outstanding balance**	**Outstanding balance**	**Transaction value**	**Transaction value**
	2008	**2007**	**2008**	**2007**
Companies controlled by key management of the Group				
Advertising services provided	-	28	13	191
Other services provided	4	-	33	-
Sales of goods and equipment	-	-	6	-
Sales of treasury shares	-	-	4	112
Interests on loans granted	-	-	6	-
Other services received	1	36	54	24
Other expenses	-	1	93	29
Other financial investments	-	-	4	-

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Loans issued	-	188	2,356	1,261
Related parties' accounts with OJSC RBC bank	430	2	4,012	-
Employees				
Shares options compensation programs	-	20	26	21
Related parties' accounts with OJSC RBC bank	12	1	59	-
Equity accounted investees				
Advertising services provided	-	-	46	-
Hosting services received	-	-	46	-
Loan issued written off	-	-	29	-

A loan issued to a related party by RBC Investments Cyprus in the amount of RUR 1,310 million/USD* 45 million was considered doubtful and the provision was made for the whole balance as of 31 December 2008 directly in equity.

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Mln USD*	**Outstanding balance**	**Outstanding balance**	**Transaction value**	**Transaction value**
	2008	**2007**	**2008**	**2007**
Companies controlled by key management of the Group				
Advertising services provided	-	1	-	7
Other services provided	-	-	1	-
Sales of goods and equipment	-	-	-	-
Sales of treasury shares	-	-	-	4
Interests on loans granted	-	-	-	-
Other services received	-	1	2	1
Other expenses	-	-	3	1
Other financial investments	-	-	-	-
Loans issued	-	6	-	-
Related parties' accounts with OJSC RBC bank	15	-	-	-
Employees				
Shares options compensation programs	-	1	1	1
Related parties' accounts with OJSC RBC bank	-	-	2	-
Equity accounted investees				
Advertising services provided	-	-	2	-
Hosting services received	-	-	2	-
Loan issued written off	-	-	1	-

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37 Significant subsidiaries

	Country of incorporation	Ownership/voting 2008	2007
RBC Media, LLC	Russia	100%	100%
RBC TV, CJSC	Russia	100%	100%
RBC Reklama, LLC	Russia	100%	100%
Amida, CJSC	Russia	95%	90%
RBC Holding, CJSC	Russia	100%	100%
RosBusinessConsulting, CJSC	Russia	100%	100%
RBC Bank, OJSC	Russia	98%	97%
RBC Investments Cyprus Ltd.	Cyprus	100%	100%
Mohiville Corporation	Netherland Antilles	100%	100%
AD Net Ltd.	Cyprus	100%	100%
Ad Line, LLC	Russia	100%	100%
Loveplanet, LLC	Russia	60%	41%
EDI S Press Holding Ltd.	Cyprus	80%	60%
MassMediaGroup Ltd.	Ukraine	100%	100%
Global Media Solutions Ltd.	Russia	99%	99%
RBC-TV Moscow, CJSC	Russia	99%	99%
RBC-TV Novosibirsk, CJSC (TRK MKS, note 7)	Russia	100%	-
IPK Media Production, LLC	Russia	99%	99%
SMTP Press, LLC	Russia	99%	99%
BusinessPress, LLC	Russia	99%	100%
Eidos Marketing	British Virgin Islands	80%	60%
Reklamnoe Agenstvo Eidos, CJSC	Russia	80%	60%
ID Salon Press, CJSC	Russia	80%	60%
Salon Press, CJSC	Russia	80%	60%
Konkord, LLC	Russia	100%	100%
CentroHost, CJSC	Russia	100%	100%
Garant-Park-Telecom, LLC	Russia	86%	86%
Hosting –Centr, LLC	Russia	100%	100%
MediaMir, LLC	Russia	100%	100%
Valento Commerce	British Virgin Islands	92%	75%

38 Events subsequent to the balance sheet date

(a) Business environment

Subsequent to the balance sheet date, the financial crisis continued to adversely affect the industry in which the Group operates. This may affect the assumptions, estimates and judgments used by management in preparing the consolidated financial statements for the year ending 31 December 2009. In particular, intangible assets may suffer additional impairment and thus will be subject to an impairment test during the year ending 31 December 2009.

(b) Failure to repay loans and borrowings

Subsequent to the balance sheet date the Group defaulted on repayment of bond issues BO-4 and BO-5 for the total amount of RUR 3,347 million/ USD* 114 million.

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Subsequent to the balance sheet date the Group also defaulted on repayment of credit linked notes in the total amount of RUR 2,286 million/ USD* 78 million and unsecured bank loan in the amount of RUR 151 million/ USD* 5 million.

Currently the Group management is in negotiations with its creditors to restructure the Group's debt (note 2(e)).

(c) Litigations

Subsequent to the balance sheet date, the Bank of Moscow filed a suit against the Group in amount of RUR 447.6 million/USD* 15.2 million for non-repayment of the loan. In the course of the dispute, assets of EDI S Press Holdings and its subsidiaries (Salon group) in the total amount of RUR 447.6 million/USD* 15.2 million have been arrested. The next hearings are to be held in London Court of International Arbitration in 2010. The Group is negotiating with the Bank of Moscow the restructuring of the loan (note 2(e)).

Subsequent to the balance sheet date, LLC UK Rosbank applied to the Court to invalidate share sale agreements within the Group (see 38(e)). The Court case is in progress. It has been no court decision yet.

At the date when these consolidated financial statements are authorized for issue, the Group faces a number of claims from creditors regarding non-redemption of bond issues BO-4 and BO-5 for the total amount of RUR 1,542 million/ USD*52 million. A number of bondholders filed for bankruptcy of OJSC RBC Information Systems in the Moscow Arbitration Court.

Subsequent to the balance sheet date, the Group was also involved in various claims and legal proceedings arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will give a material adverse impact on the Group's operating results or financial position.

(d) Sale of an internet resource

Subsequent to 31 December 2008, the Group sold an internet resource www.fishki.net for RUR 68 million/USD* 2.3 million settled in cash. As of 31 December 2008 the internet resource had a carrying value of RUR 9 million/ USD* 0.3 million.

(e) Changes in corporate structure

The following steps have been made after 31 December 2008 in change of the Group structure:

- The Company sold its shares in LLC RBC Media, CJSC RBC Holding, CJSC RBC, CJSC RBC-TV, CJSC RBC-TV Moscow and LLC RBC-Reklama to the other subsidiaries within the Group. As a result of these transactions there have been no changes in the effective interest of the Group in the above subsidiaries.
- Subsequent to 31 December 2008, the Group disposed of all of its interest in OJSC RBC Bank for RUR 300 million/ USD* 10 million.
- Subsequent to 31 December 2008, the Group disposed of all of its interest in LLC Fidel Solutions for no consideration.
- Subsequent to 31 December 2008, the Group completed the acquisition of 74% of LLC "RBC Money", a company which provides services of electronic cash online payments. The total purchase consideration was RUR 90 million/USD* 3 million, of which RUR 50 million/

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USD* 2 million had been prepaid in 2008 (note 18). The Group intends to integrate the acquiree into Business Internet segment.

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