Group OJSC "Armada"

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

Contents

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КОНСАЛТИНГОВО•АУДИТОРСКАЯ ГРУППА

115191, Москва
Духовской переулок,14

Т/Ф.: (495) 954-4408
(495) 952-1041
E-mail: npg@npg.ru
www.npg.ru

Independent Auditor's Report

To the Board of Directors of OJSC "Armada"

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC "Armada" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

NP Consult

ZAO NP Consult
28 May 2010

	Note	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Revenue	6	3 106	5 125	103	174
Cost of sales	7	(2 933)	(4 620)	(97)	(157)
Gross profit		**173**	**505**	**6**	**17**
Distribution expenses	9a	(19)	(103)	(1)	(3)
Administrative expenses	9b	(223)	(356)	(7)	(12)
Other income/ (expenses)	8	12	(818)	-	(28)
Financial income/ (expenses)	10	93	(26)	3	(1)
Profit (loss) before income tax		**36**	**(798)**	**1**	**(27)**
Income tax benefit (expense)	11	(13)	70	-	2
Net profit (loss) for the period		**23**	**(729)**	**1**	**(25)**
Other comprehensive income:					
Gain arising from translating the financial statements of a foreign operation		-	12	-	-
Other comprehensive income after income tax		-	12	-	-
Comprehensive income(loss) for the year		23	(717)	1	(25)
Profit(loss) for the year attributable to:					
Shareholders of parent company		4	(664)	-	(23)
Non-controlling interest		19	(65)	1	(2)
Comprehensive income(loss) for the year					
Attributable to:					
Shareholders of parent company		4	(652)	-	(23)
Non-controlling interest		19	(65)	1	(2)
Basic and Diluted earnings (loss) per share	22	RUR	RUR	USD	USD
Basic earnings (loss) per share		0.38	(57.97)	-	(1.99)
Diluted earnings (loss) per share		0.37	(56.21)	-	(1.94)

Chief Executive Officer
Gorbatov I.E

Chief accountant
Kuznetsova T.Y.

May 28, 2010

"АРМАДА"

The attached notes are an integral part of these financial statements

	Note	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
ASSETS					
Non-current assets					
Property, plant and equipment	12	66	97	2	3
Intangibles assets	13	261	296	9	10
Available-for-sale investments	15	-	95	-	3
Investments in associates	15	5	-	-	-
Loans	14	13	13	-	-
		345	501	11	16
Current assets					
Inventories	17	339	341	11	12
Other investments	15	1	112	-	4
Loans	14	621	605	21	21
Trade and other receivables	18	866	691	29	24
Cash and cash equivalents	19	517	747	17	25
		2 344	2 496	78	86
Total assets		2 689	2 997	89	102
EQUITY AND LIABILITIES					
EQUITY	20				
Share capital		12	12	-	-
Share premium		689	658	23	23
Treasury shares		-	(1)	-	-
Foreign currency translation reserve		1	1	-	-
Retained earnings (loss)		(20)	(24)	(1)	(1)
Total equity attributable to the shareholders of Company		682	646	22	22
Non-controlling interest		110	91	4	3
Total equity		792	737	26	25
Non-current liabilities					
Deferred tax liabilities	16	41	44	1	2
		41	44	1	2
Current liabilities					
Loans and borrowings	21	6	493	-	17
Trade and other payables	23	1 844	1 701	62	58
Provisions	5	6	23	-	1
		1 856	2 216	62	77
Total liabilities		1 897	2 260	63	78
Total equity and liabilities		2 689	2 997	89	102

The attached notes are an integral part of these financial statements

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
OPERATING ACTIVITY				
Profit (loss) before income tax	36	(798)	1	(27)
Adjustments for:				
Depreciation and amortization	117	175	4	6
Foreign currency exchange (gain) / loss	(45)	13	(1)	-
(Gain)/ loss on disposal of property, plant and equipment	15	(31)	-	(1)
Intangible assets impairment	13	571	-	19
Loss on subsidiary disposal	-	246	-	8
Share option program compensation gain (loss)	11	(10)	-	-
Bad debts provision	16	16	1	-
Interest expenses	21	64	1	2
Interest income	(70)	(46)	(2)	(2)
Operating profit before changes in working capital and provisions	114	199	4	5
(Increase)/ decrease in inventories	-	(138)	-	(5)
(Increase)/ decrease in trade and other receivables	(158)	(364)	(5)	(12)
Increase/ (decrease) in trade and other payables	223	899	7	31
Cash flows from operations before income taxes and interest paid	179	596	6	19
Income tax paid	(14)	(103)	(0,5)	(4)
Interest paid	(11)	(53)	(0,5)	(2)
Cash flows from operating activities	154	440	5	13

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	31	-	1
Proceeds from disposal of other investments	154	22	5	1
Loans granted	(50)	(380)	(2)	(12)
Repayment of loans granted	85	47	3	2
Interest received	2	46	-	2
Acquisition of property, plant and equipment	(2)	(27)	-	(1)
Acquisition of other investment	(17)	(110)	(1)	(4)
Acquisition of intangibles assets	(75)	(119)	(2)	(4)
Acquisition of minorities	(5)	-	-	-
Acquisition (disposal) of subsidiaries, net of cash acquired	-	(73)	-	(2)
Cash flows (used) in investment activities	93	(563)	3	(17)
FINANCIAL ACTIVITIES				
Proceeds from issue of share capital, net of transaction cost	21	-	1	-
Acquisition of treasury shares	-	(75)	-	(3)
Proceeds from borrowings	417	2 256	12	77
Repayment of borrowings	(915)	(1 829)	(30)	(62)
Dividends paid	-	(54)	-	(2)
Cash flows from financial activities	(477)	298	(17)	10
Increase/ (decrease) of cash and cash equivalents	(230)	175	(8)	6
Cash and cash equivalents at the beginning of period	747	572	25	19
Cash and cash equivalents at the end of period (note 19)	517	747	17	25

Mln RUR	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to shareholders of the Company							
Balance at 1 January 2008	12	742	(1)	(11)	575	1 317	210	1 527
Profit(loss) for the year	-	-	-	-	(738)	(738)	9	(729)
Foreign currency translation differences	-	-	-	12	-	12	-	12
Total recognized income and expenses for the period	-	-	-	12	(738)	(726)	9	(717)
Acquisition of subsidiaries	-		-	-	-	-	65	65
Option granted	-	(10)	-	-	-	(10)	-	(10)
Treasury shares acquired	-	(75)	-	-	-	(75)	-	(75)
Dividends paid	-	-	-	-	-	-	(54)	(54)
Balance at 31 December 2008 (before adjustments)	**12**	**658**	**(1)**	**1**	**(163)**	**507**	**230**	**737**
Adjustments					139	139	(139)	0
Balance at 31 December 2008 (after adjustments)	12	658	(1)	1	(24)	646	91	737
Balance at 1 January 2009	12	658	(1)	1	(24)	646	91	737
Profit for the year	-	-	-	-	4	4	19	23
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total recognized income and expenses for the period	-	-	-	-	4	4	19	23
Share option program compensation gain(loss)	-	11	-	-	-	11	-	11
Treasury shares sale	-	20	1	-	-	21	-	21
Balance at 31 December 2009	12	689	-	1	(20)	682	110	792

Mln USD	Attributable to shareholders of the Company: Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2008	-	25	-	-	20	45	8	53
Profit (loss) for the year		-	-	-	(26)	(26)	-	(26)
Total recognized income and expenses for the period	-	-	-	-	(26)	(26)	-	(26)
Acquisition of subsidiaries		-	-	-	-	-	2	2
Share issue	-	(3)	-	-	-	(3)	-	(3)
Dividends paid	-	-	-	-	-	-	(2)	(2)
Foreign currency differences	-	1	-	-	-	-	-	1
Balance at 31 December 2008 (before adjustments)	-	23	-	-	(6)	17	8	25
Adjustments		-	-	-	5	5	(5)	0
Balance at 31 December 2008 (after adjustments)	-	23	-	-	(1)	22	3	25
Balance at 1 January 2009	-	23	-	-	(1)	22	3	25
Profit for the year	-	-	-	-	-	-	1	1
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total recognized income and expenses for the period	-	-	-	-	-	-	-	-
Share option program compensation gain(loss)	-	-	-	-	-	-	-	-
Treasury shares sale	-	-	-	-	-	-	-	-
Balance at 31 December 2009	-	23	-	-	(1)	22	4	26

1. Background

a) Organization and operations

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

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

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

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

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

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

At 28th September 2009 OOO "Programniy Product" was disposed from the Group.

A list of the significant subsidiaries of the Group as at 31 December 2009 is represented in the note 28.

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

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

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

b) Russian business environment

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

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

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Convenience translation

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

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2009 of RUR 30.2442 to USD 1. All financial information presented in USD has been rounded to the nearest million (unless otherwise stated).

(e) Use of judgments, estimates and assumptions

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

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

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

(f) Previous period errors adjustments

Preparing financial statements in accordance with IFRS for 2008 the errors occurred in estimating net assets and financial result from business activity attributable to non-controlling interest.

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The mentioned errors were corrected on a retrospective basis. Below presented the influence of the discovered errors on the financial statements:

	As at 31 December 2008 (before adjustment)		**As at 31 December 2008 (after adjustment)**		**Influence on 2008 year**
	Mln RUR	**Mln USD**	**Mln RUR**	**Mln USD**	
Statement of Comprehensive income					
Loss for the year, attributable to:	(729)	(25)	(729)	(25)	0
Shareholders	(738)	(25,4)	(664)	(23)	
Non-controlling interest	9	0,4	(65)	(2)	
Statement of financial position					
Retained earnings(loss)	(164)	(6)	(24)	(1)	0
Non-controlling interest	230	8	91	3	0
Statement of Comprehensive income	RUR	USD	RUR	USD	
Basic and Diluted earnings (loss) per share:					
Basic earnings (loss) per share	(64.37)	(2.00)	(57.97)	(1.99)	
Diluted earnings (loss) per share	(62.40)	(2.00)	(56.21)	(1.94)	

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

The control can be implemented by presence of majority in the Board of Directors or in the similar management authorities.

The consolidated financial statements of the Group show the results of activity of the purchased subsidiaries from the moment of establishment of control under them. Consolidation of the subsidiaries is terminated from the date, when the Group lost control under these companies. The share of minority

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is disclosed separately.

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

(ii) Transactions between the enterprises under common control

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

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

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

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

(iii) Transactions eliminated on consolidation

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

(iv) Associated and jointly controlled companies

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

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

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

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

(ii) Held-to-maturity financial assets

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

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

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated

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

(iv) Available-for-sale financial assets

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

(v) Accounts Receivables and Loans

Accounts Receivables and Loans are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized cost (using the effective interest method), less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.
Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(d) Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying

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

(iii) ***Depreciation***

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

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

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

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

(f) **Intangible assets**

(i) ***Goodwill***

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

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

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

Acquisitions

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree for the date of acquisition. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

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

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

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) ***Software***

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

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(iii) Web-sites

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

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

(iv) Capitalized development costs

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

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

Costs for development are capitalized based on actual working days in a year. In 2008 and in 2009 year there were 168 working days.

(v) Other intangible assets

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

(vi) Subsequent expenditure

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

(vii) Amortization

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

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

(viii) Impairment

Intangibles with indefinite useful life should be tested for impairment if there are indications of impairment and at least annually.

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(g) Inventories

Inventories are valued at the lower of two amounts: actual costs and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses and completion costs.

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

(h) Leased assets

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

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

(j) Provisions

(i) Tax provisions

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

(ii) Other provisions

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

(k) Revenues

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

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

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

(l) Finance income and expenses

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

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

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recognized in profit or loss using the effective interest method.

(m) Income tax expense

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

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

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

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

(n) Earnings per share

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

(o) Other expenses

(i) Lease payments

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

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

(p) Operating segments

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

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(q) New Standards and Interpretations

A number of new Standards, amendments to Standards and Interpretations became effective as at 1 January 2009, and have been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 8 "Operating Segments" ("IFRS 8"), which is effective for annual periods beginning on or after 1 January 2009. The standard replaces IAS 14 "Segment reporting". The standard requires an entity to adopt the "management approach" to reporting of performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operations segments. Such information may be different from what is used to prepare the income statement and balance sheet. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the income statement and balance sheet.

- Amendment to IAS 23 "Borrowing costs" ("IAS 23"), which is effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 23 removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The application of these amendments is not materially affected the Group's consolidated financial statements.

- Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1"), which is effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group revised IAS 1 to affect the presentation of its consolidated financial statements but there was no impact on the recognition or measurement of specific transactions and balances.

- Amendment to IAS 32 and IAS 1 became effective from 1 January 2009. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. Management assessed the amendment did not materially affect the Group's consolidated financial statements.

- Amendment to IAS 27 "Consolidated and Separate Financial Statements" ("IAS 27"), which is effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group assessed the impact of the amended standard on its consolidated financial statements as immaterial.

- Amendment to IFRS 3 "Business Combinations" ("IFRS 3"), which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before

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the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The amendments did not have an impact on the Group's consolidated financial statements.

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

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

- IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition.

  The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election maybe made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IFRS 7. Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments:

  Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of

financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its consolidated financial statements to evaluate the nature and extent of liquidity risk.

- IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its consolidated financial statements.

4. Segment reporting

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

The Deputy General Director is responsible for data collection and preparation of reports. General Director is the operation manager on segments. Operation manager receives reports and makes operational decisions on each segment.

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

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

(a) Reporting segments

The Group comprises the following main reporting segments:

Software. Development, manufacturing and sale of software.

Hardware support. Production and distribution of the hardware support.

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

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2009, Mln RUR	Software	Hardware	System integration	Consolidated
Revenue from external customers	1 448	1 392	585	3 425
Segment result	(15)	116	73	173
Depreciation\Amortization	91	5	20	116

2009, Mln USD	Software	Hardware	System integration	Consolidated
Revenue from external customers	48	46	19	113
Segment result	-	4	2	6
Depreciation\Amortization	3	-	1	4

2008, Mln RUR	Software	Hardware	System integration	Consolidated
Revenue from external customers	2 028	2 198	1 399	5 625
Segment result	103	191	210	504
Depreciation\Amortization	124	7	44	175

2008, Mln USD	Software	Hardware	System integration	Consolidated
Revenue from external customers	69	74	48	191
Segment result	4	7	7	18
Depreciation\Amortization	4	-	1	5

A reconciliation of segment results to profit before tax as it is reported in the Consolidated Statement of Comprehensive Income for the year is provided as follows:

	2009	**2008**	**2009**	**2008**
	Mln RUR	**Mln RUR**	**Mln USD**	**Mln USD**
Segment result	**173**	**504**	**6**	**18**
Administrative expenses	(223)	(356)	(7)	(12)
Commercial expenses	(19)	(103)	(1)	(3)
Write-off accounts payable	27	2	1	-
Write-off accounts receivable	(18)	(17)	(1)	(1)
Intangibles impairment	(13)	(571)	-	(19)
Loss on subsidiary disposal	-	(246)	-	(8)
Income on exceed of acquired share in subsidiary on investment	16	13	1	-
Other expenses	-	1	-	-
Income/(Loss) on operating activities	**(57)**	**(773)**	**(2)**	**(26)**

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Finance income	114	40	4	1
Finance expenses	(21)	(66)	(1)	(2)
Profit (loss) before tax	**36**	**(798)**	**1**	**(27)**

A reconciliation of segment revenue to total revenue as it is reported in the Consolidated Statement of Comprehensive Income for the year is provided as follows:

	2009	**2008**	**2009**	**2008**
	Mln RUR	**Mln RUR**	**Mln USD**	**Mln USD**
Segment revenue	**3 425**	**5 625**	**113**	**186**
Difference on segment revenue	(319)	(500)	(10)	(17)
Revenue from the Consolidated Statement of Comprehensive Income	**3 106**	**5 125**	**103**	**174**

A reconciliation of segment assets and liabilities to total assets and liabilities as it is reported in the Consolidated Statement of financial position for the year is provided as follows:

2009, Mln RUR	**Software**	**Hardware**	**System integration**	**Consolidated**
Segment assets	1 169	745	711	2 625
Segment liabilities	1 152	613	169	1 934

2009, Mln USD	**Software**	**Hardware**	**System integration**	**Consolidated**
Segment assets	39	25	23	87
Segment liabilities	38	20	6	64

2008, Mln RUR	**Software**	**Hardware**	**System integration**	**Consolidated**
Segment assets	1 183	569	1 004	2 756
Segment liabilities	1 063	395	487	1 945

2008, Mln USD	**Software**	**Hardware**	**System integration**	**Consolidated**
Segment assets	40	19	34	93
Segment liabilities	36	13	17	66

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A reconciliation of segment assets and liabilities to total assets and liabilities as it is reported in the Consolidated Statement of financial position for the year is provided as follows:

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Segment assets	**2 625**	**2 757**	**87**	**93**
Assets eliminated in consolidation	(668)	(447)	(22)	(15)
Assets not allocated to segments	732	687	24	24
Assets in the Consolidated Statement of financial position	**2 689**	**2 997**	**89**	**102**
Segment liabilities	**1 934**	**1 945**	**64**	**66**
Liabilities eliminated in consolidation	(646)	(1 078)	(21)	(37)
Liabilities not allocated to segments	609	1 393	20	49
Liabilities in the Consolidated Statement of position	**1 897**	**2 260**	**63**	**78**

5. Acquisition and disposal of subsidiaries

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

In August 2007 the Group participated in establishment of ZAO "PM Expert" (25,01%). Later in August 2007 the Group purchased additional 25% of shares. In accordance with the agreement the transaction consists of two parts. The first part is fixed and amount to 25 thousand RUR/ USD 1 thousand. The second part is based on ZAO "PM Expert" net profit for the financial year 2008 and should be paid not later than 1 December 2009. As at 31 December 2007 the second part of the payment was Group management estimation based on expected profit and was amounted to 41 Mln RUR/1.4 Mln USD. In accordance with the factual net profit for 12 months 2008 the second part of payment changed and was 23 Mln RUR/0.8 Mln USD. As at 31 December 2009 the method of calculation was changed in accordance with additional agreement. The second part of payment is based now on expected profit for the year 2010 and was amounted to 6 Mln RUR/0.2 Mln USD.

(b) Disposal of OOO "Programniy Product"

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

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6. Revenue

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Revenue from sale of hardware	1 391	2 189	46	74
Revenue from sale of software	1 171	1 655	39	56
Revenue from sale of IT-services	544	1 281	18	44
Total	3 106	5 125	103	174

7. Cost of Sales

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Cost of goods sold	(1 258)	(1 580)	(42)	(54)
Services of sub-contractors and contractors	(1 074)	(1 790)	(35)	(61)
Materials	(146)	(530)	(5)	(18)
Wages and Salaries	(173)	(416)	(6)	(14)
Expenses on software	(1)	(3)	-	-
Amortization of intangible assets	(99)	(154)	(3)	(5)
Depreciation of PP&E	(17)	(20)	(1)	(1)
Business trip expenses	(7)	(12)	-	-
Licenses	(130)	(100)	(4)	(3)
Other expenses	(28)	(15)	(1)	(1)
Total	(2 933)	(4 620)	(97)	(157)

8. Other income/(expenses)

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Rental income	2	2	-	-
Fines and penalties	3	(4)	-	-
Write-off accounts payable	27	2	1	-
Reversal of prior year bad debt write-off	-	6	-	-
Gain on disposal of Property, plant and equipment	-	31	-	1

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Excess of purchasing share over cost of investment	16	13	1	-
Other income	48	50	2	1
Bad debts provision	(16)	(17)	(1)	-
Intangibles impairment	(13)	(571)	(1)	(19)
Loss on disposal of subsidiary	-	(246)	-	(8)
Loss on disposal of inventory	-	(5)	-	-
Currency operation result	-	(4)	-	-
Other expenses	(7)	(25)	-	(1)
Other expenses	(36)	(868)	(1)	(29)
Total	12	(818)	-	(28)

9a. Distribution expenses

	2009	2008	2009	2008
	Mln RUR	**Mln RUR**	**Mln USD**	**Mln USD**
Advertising	(2)	(82)	-	(2,6)
Transport	(13)	(16)	(1)	(0,4)
Other commercial expenses	(4)	(5)	-	-
Total	(19)	(103)	(1)	(3)

9b. Administrative expenses

	2009	2008	2009	2008
	Mln RUR	**Mln RUR**	**Mln USD**	**Mln USD**
Wages and salaries	(85)	(165)	(3)	(5)
Rental expenses	(70)	(79)	(2)	(3)
Materials	(9)	(16)	-	(1)
Telecommunication expenses	(14)	(16)	(0,5)	(1)
Consulting and legal expenses	(11)	(16)	(0,5)	(1)
Bank charges	(3)	(4)	-	-
Insurance	(5)	(6)	-	-
Taxes excepting income tax	(2)	(10)	-	-
Other administrative expenses	(24)	(44)	(1)	(1)
Total	(223)	(356)	(7)	(12)

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9c. Total personnel costs

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Wages and salaries	229	520	9	17
Contributions to the State Pension Fund and other social charges	29	61	1	2
Total	258	581	10	19

10. Financial income and expenses

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Foreign exchange gain	45	4	2	-
Interest income	69	46	2	2
Financial income	**114**	**50**	4	**1**
Interest expenses	(21)	(64)	(1)	(2)
Foreign exchange loss on disposal of Art Technology Group	-	(10)	-	-
Other expenses	-	(2)	-	-
Financial expenses	**(21)**	**(76)**	**(1)**	**(2)**
Total	**93**	**(26)**	**3**	**(1)**

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11. Income tax expense

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Current income tax				
Current year	(16)	(25)	-	(1)
	(16)	(25)	-	(1)
Deferred income tax				
Origination and reversal of temporary differences	3	95	-	3
	3	95	-	3
Total	(13)	70	-	2

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

Reconciliation of effective tax rate:

	2009 Mln RUR	2009 Mln USD	%	2008 Mln RUR	2008 Mln USD	%
Profit (loss) before income tax	36	1	(100)	(798)	(27)	100
Income tax at applicable tax rate (20%)	(7)	-	20	192	7	(24)
Non-deductable expenses	(14)		38	(117)	(5)	15
Non-taxable income	8	-	(22)	24	1	(3)
Effect of decreasing of tax rate to 20% in 2008 year that come into force from 1 January 2009	-	-	-	(29)	(1)	4
	(13)	-	36	70	2	(9)

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

12. Property, plant and equipment

Mln RUR	Hard	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2008	80	49	13	1	143
Additions	11	11	13	49	84
Disposals	(2)	-	(2)	(49)	(54)
Balance at 31 December 2008	88	59	24	1	172
Balance at 1 January 2009	88	59	24	1	172
Additions	1	1	-	-	2
Disposals	-	(16)	(2)	-	(18)
Balance at 31 December 2009	89	44	22	1	156
Depreciation					
Balance at 1 January 2008	(36)	(13)	(3)	(1)	(53)
Depreciation for the period	(13)	(9)	(3)	-	(26)
Disposals	1	-	1	0,5	3
Balance at 31 December 2008	(48)	(22)	(5)	(0,5)	(76)
Balance at 1 January 2009	(48)	(22)	(5)	-	(76)
Depreciation for the period	(9)	(4)	(4)	-	(17)
Disposals	-	3	-	-	3
Balance at 31 December 2009	(57)	(23)	(9)	(0,5)	(90)
Net book value					
At 1 January 2008	44	36	10	-	90
At 31 December 2008	40	37	19	0,5	97
At 31 December 2009	32	20	13	0,5	66

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

Mln USD	Hard	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2008	4	2	-	-	6
Additions	0,4	0,4	0,4	1,7	2,9
Disposals	(0,1)	-	(0,1)	(1,7)	(1,8)
Balance at 31 December 2008	4,3	2,4	0,3	-	7,1
Balance at 1 January 2009	4,3	2,4	0,3	-	7,1
Additions	-	-	-	-	-
Disposals	-	(0,5)	-	-	(0,5)
Currency difference	(1,4)	(0,4)	0,4	-	1,4
Balance at 31 December 2009	2,9	1,5	0,7	-	5,2
Depreciation					
Balance at 1 January 2008	(1,2)	(0,4)	(0,1)	-	(1,7)
Depreciation for the period	(0,4)	(0,3)	(0,1)	-	(0,8)
Disposals	0,1	-	-	-	0,1
Balance at 31 December 2008	(3,5)	(0,7)	(0,2)	-	(4,4)
Balance at 1 January 2009	(3,5)	(0,7)	(0,2)	-	(4,4)
Depreciation for the period	(0,3)	(0,1)	(0,1)	-	(0,5)
Disposals	-	0,1	-	-	0,1
Currency difference	1,9	-	-	-	1,9
Balance at 31 December 2009	(1,9)	(0,8)	(0,3)	-	(2,9)
Net book value					
At 1 January 2008	2	2	-	-	4
At 31 December 2008	0,9	1,7	0,1	-	3
At 31 December 2009	1	0,7	0,4	-	2,3

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

13. Intangible assets

Mln RUR	Soft	Web-sites	Licenses	Capitalized expenses on development	Brands	Goodwill	Client list	Total
Cost								
Balance at 1 January 2008	66	1	1	228	49	188	487	1 020
Additions	-	-	-	129	-	-	-	129
Acquisition through business combination	-	-	-	-	-	35	-	35
Disposals	(1)	-	-	-	-	-	-	(1)
Balance at 31 December 2008	65	1	1	357	49	223	487	1 183
Balance at 1 January 2009	65	1	1	357	49	223	487	1 183
Additions	2	-	11	62	-	-	-	75
Disposals	-	-	-	-	-	-	-	-
Balance at 31 December 2009	67	1	12	419	49	223	487	1 259
Amortization								
Balance at 1 January 2008	(15)	-	-	(111)	-	-	(35)	(161)
Amortization for the period	(24)	-	-	(70)	-	-	(62)	(156)
Impairment	(25)	-	-	-	(20)	(186)	(339)	(571)
Disposals	1	-	-	-	-	-	-	1
Balance at 31 December 2008	(64)	-	-	(181)	(20)	(186)	(436)	(887)
Balance at 1 January 2009	(64)	-	-	(181)	(20)	(186)	(436)	(887)
Amortization for the period	(1)	-	(1)	(92)	-	-	(3)	(97)
Impairment	-	-	-	-	(5)	(1)	(7)	(13)
Disposal	-	-	-	-	-	-	-	-
Balance at 31 December 2009	(65)	-	(1)	(273)	(25)	(187)	(446)	(998)
Net book value								
At 1 January 2008	51	1	1	117	49	188	452	859
At 31 December 2008	1	1	1	176	29	37	51	296
At 31 December 2009	2	1	11	146	24	36	41	261

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

Mln USD	Soft	Web-sites	Licenses	Capitalized expenses on development	Brands	Goodwill	Client list	**Total**
Cost								
Balance at 1 January 2008	3	-	-	9	2	8	20	42
Additions	-	-	-	4,4	-	-	-	4,4
Acquisition through business combination	-	-	-	-	-	1,2	-	1,2
Disposals	-	-	-	-	-	-	-	-
Currency difference	(0,8)	-	-	(1,2)	(0,3)	(1,6)	(3,4)	(7,3)
Balance at 31 December 2008	2,2	-	-	12,2	1,7	7,6	16,6	40,3
Balance at 1 January 2009	2,2	-	-	12,2	1,7	7,6	16,6	40,3
Additions	-	-	-	2	-	-	-	2
Disposals	-	-	-	-	-	-	-	-
Currency difference	-	-	-	-	-	-	-	-
Balance at 31 December 2009	2,2	-	-	14,2	1,7	7,6	16,6	42,3
Amortization								
Balance at 1 January 2008	(1)	-	-	(5)	-	-	(1)	(7)
Amortization for the period	(0,8)	-	-	(2,4)	-	-	(2,1)	(5,3)
Impairment	(0,9)	-	-	-	(0,7)	(6,3)	(11,5)	(19,4)
Currency difference	0,5	-	-	1,2	-	-	(0,2)	1,5
Balance at 31 December 2008	(2,2)	-	-	(6,2)	(0,7)	(6,3)	(14,8)	(30,2)
Balance at 1 January 2009	(2,2)	-	-	(6,2)	(0,7)	(6,3)	(14,8)	(30,2)
Amortization for the period	-	-	-	(3)	-	-	-	(3)
Impairment	-	-	-	-	-	-	-	-
Balance at 31 December 2009	(2,2)	-	-	(9,2)	(0,7)	(6,3)	(14,8)	(33,2)
Net book value								
At 1 January 2008	2	-	-	4	2	8	19	35
At 31 December 2008	-	-	-	6	1	1,3	1,7	10
At 31 December 2009	-	-	-	5	1	1	2	9

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

(a) Amortization charge

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

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

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

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Goodwill	36	37	1,2	1,3
Trade mark (ZAO "PM Expert")	24	29	1	1
Client's list (ZAO "PM Expert")	41	45	1,4	1,5

For testing on impairment, goodwill in the amount 36 millions RUR/ USD 1.2 million is allocated to OOO "Helios Computer".

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

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

OOO "Helios Computer"

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

- Cash flow prediction is based on the actual operating results and business plan 2010-2014;
- Revenue prediction was based on actual data on revenue from long-term client list, which existed at the acquisition date. It was proposed, that expected growth in revenue would be similar to hardware market growth rate (15% per year for the years from 2010 till 2014), and to IT-services growth rate (15% per year for the years from 2010 till 2014, correspondingly);
- A discount rate of 17% on after tax basis was applied for discounting cash flow for all tested intangible assets. The discount rate was estimated based on weighted average cost of the equity.
- The values assigned to key assumptions represent management assessment of future trends in business and based on internal and external sources
- The estimated net discounted cash flow indicates an impairment of goodwill of "Helios Computer" as at 31 December 2009 in the amount of 1 Mln RUR/0.03 Mln USD.

ZAO "PM Expert"

Trade Mark (ZAO "PM Expert")

- The royalty method was applied for the impairment testing procedure. The royalty flow was calculated as a percentage of 2010 revenue. Revenue for 2010 was a prediction for 2010. A discount rate of 18% on after tax basis was applied for discounting cash flow for all tested intangible assets. The

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

discount rate was estimated based on weighted average cost of the equity.

- The estimated net discounted cash flow indicates an impairment of trade mark of "ZAO "PM Expert" as at 31 December 2009 in the amount of 4.7 Mln RUR/0.14 Mln USD.

- *Clients relationship (ZAO "PM Expert")*

The testing procedure was based on DCF-method on the Revenue for 2010 year as a predicted value.

A discount rate of 17% on after tax basis was applied for discounting cash flow for all tested intangible assets. The discount rate was estimated based on weighted average cost of the equity.

- The estimated net discounted cash flow indicates an impairment of Clients lists of *ZAO "PM Expert"* as at 31 December 2009 in the amount of 7.2 Mln RUR/0.24 Mln USD.

14. Loans

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Non-current				
Loan granted to a third party, the effective interest rate 10,5% per year	11	10	-	-
Loan granted to a third party, the effective interest rate 10,5% per year	2	3	-	-
Current				
Loan granted to third party, the effective interest rate 10,5 -15% per year	635	605	21	21
Reserve	(14)	-	-	-
Total	**634**	**618**	**21**	**21**

As at 31.12.2009 the Group provided a loan to Art Technology Group in the total amount of 579 Mln.RUR, including interest 110 Mln.RUR. The loan's bulk amount as well as accrued interest will be repaid during 2010 year.

15. Investments

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Available-for-sale financial assets	-	95	-	3
Investments in associates	5	-	-	-
Bank deposit	1	-	-	-
Promissory notes held-to-maturity	-	112	-	4

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

Total	**6**	**207**	**-**	**7**

16. Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items

Mln RUR	Assets		Liabilities		Net assets / (liabilities)	
	2009	2008	2009	2008	2009	2008
PP&E	-	-	(7)	(7)	(7)	(7)
Intangible assets	1	2	(40)	(42)	(38)	(40)
Receivables	5	3	-	-	4	3
Total assets/(liabilities)	6	5	(47)	(49)	(41)	(44)
Net assets/(liabilities)	6	5	(47)	(49)	(41)	(44)

Mln USD	Assets		Liabilities		Net assets / (liabilities)	
	2009	2008	2009	2008	2009	2008
PP&E	-	-	-	-	-	-
Intangible assets	-	-	(1)	(2)	(1)	(2)
Receivables	-	-	-	-	-	-
Total assets/(liabilities)	-	-	(1)	(2)	(1)	(2)
Net assets/(liabilities)	-	-	(1)	(2)	(1)	(2)

(b) Movement in temporary differences during the year

Mln RUR	1 January 2009	Recognized in income	Acquisitions of subsidiaries	31 December 2009
PP&E	(7)	-	-	(7)
Intangible assets	(40)	2	-	(38)
Receivables	3	1	-	4
Total	(44)	3	-	(41)

Mln USD	1 January 2009	Recognized in income	Acquisitions of subsidiaries	31 December 2009
PP&E	-	-	-	-
Intangible assets	(1)	-	-	(1)
Receivables	-	-	-	-
Total	(1)	-	-	(1)

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

17. Inventories

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Finished goods and goods for re-sale	282	225	9	8
Work in progress	26	18	1	1
Materials	31	98	1	3
Total	339	341	11	12

18. Trade and other receivables

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Trade accounts receivables	739	510	24,5	18
Advances issued	43	94	1,5	3
VAT receivable	20	21	1	1
Prepaid expenses	17	24	1	1
Other receivables	60	51	2	2
Income tax receivable	12	14	-	-
Total receivables	891	714	30	25
Bad debt provision	(25)	(23)	(1)	(1)
Total	866	691	29	24

19. Cash and cash equivalents

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Cash at bank and in hand	517	747	17	25
Total	517	747	17	25

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

20. Equity

(a) Share capital and share premium as at 31 December 2009

	Ordinary shares		
	piece	Mln RUR	Mln USD
Authorized shares	12 000 000	12	-
Par value	1 руб.		
Issued at beginning of year	12 000 000	12	-
Treasury shares	(435 001)	-	-
Shares issued during a year and fully paid	-	-	-
Issued as at the end of the year, fully paid	11 564 999	12	-

Share capital and share premium as at 31 December 2008

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

(b) Treasury shares

As at 31 December 2009 the Group held 435 001 of its own shares.

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

(c) Dividends

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

In the 2009 year the dividends for the year 2008 were not been paid.

21. Loans and borrowings

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

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Current				
Unsecured borrowings, the effective interest rate 11% per year	6	2	-	-
Loans	-	491	-	17
Total	6	493	-	17

22. Earnings per share

The calculation of basic earnings per share as at 31 December 2009 was based on the net profit for the year and the weighted average number of ordinary shares outstanding during 2009 calculated as follows:

In thousands of shares	2009	2008
Ordinary shares at 1 of January	11 349	11 500
Effect of own shares held	99	(50)
Effects of own shares issued	-	-
Weighted average number of ordinary shares for the year	11 448	11 450

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

Weighted average number of ordinary shares in 2009, including dilutive potential ordinary shares, was determined as follows:

In thousands of shares	2009	2008
Weighted average number of ordinary shares	11 448	11 450
Effect of shares to be issued under agreement on purchase- sale of share	-	-
Effect of potential ordinary shares to be issued under option program of August 2007.	294	360
Weighted average number of ordinary shares per year	11 742	11 810

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

23. Trade and other payables

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Trade accounts payable	1 589	1 426	53,5	50
Advances received	108	125	3,5	4
Other taxes payable	16	6	1	-
Wages and salary	6	20	-	-
Other payables and accrued liabilities	125	124	4	4
Total	1 844	1701	62	58

24. Share options

(a) A share option program set up in 2007

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

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

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

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

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

- The Group has considered the program to constitute 3 separate share option arrangements with one-, two- and three-year vesting periods.

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

(b) Other share option programs

Under the option program senior management have a right as at 31.12.2009 to receive 84 158 shares (as at 31.12.2008 – 150 000 shares) subject to their three year period of service with the Group. The share options granted to senior management are excisable for no consideration.

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

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

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

In the year 2009 the number of shares attributable to senior management decreased by 65 842 pcs., principally in connection with the discharge one of seniors.

As at 31.12.2009 share option program compensation reserve, in money terms, is 14 Mln RUR\ 0,5 Mln USD (as at 31.12.2008 – 3 Mln RUR\ 0,1 Mln USD). Changes in reserve by 11 Mln RUR\ 0,4 Mln USD are connected both with the decrease in number of shares attributable to senior management and the significant increase in a share market value.

25. Financial instruments

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

(a) Credit risk

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

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

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

	Book value Mln RUR	Book value Mln RUR	Book value Mln USD	Book value Mln USD
	2009	2008	2009	2008
Current financial assets				
Financial assets held-for-maturity	-	112	-	4
Bank deposit	1	-	-	-
Loans granted	621	605	21	21
Trade and other receivables	866	691	29	24
Cash and cash equivalents	517	747	17	25
Non-current financial assets				
Available-for-sale investments	-	95	-	3
Investments in associates	5	-	-	-
Loans granted	13	13	-	-
Total financial assets	**2 023**	**2 263**	**67**	**77**

Impairment losses on trade and other receivables

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

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

Mln RUR.	Gross 2009	Reserve 2009	Gross 2008	Reserve 2008
Not past due	861	-	691	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	30	(25)	23	(23)
Total	891	(25)	714	(23)

Mln USD	Gross 2009	Reserve 2009	Gross 2008	Reserve 2008
Not past due	29	-	24	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than 365 days	1	(1)	1	(1)
Total	30	(1)	25	(1)

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

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Balance at 1 January	(23)	(7)	(1)	-
Increase in provision	(2)	(16)	-	(1)
Balance at 31 December	(25)	(23)	(1)	(1)

The movements in the provision for impairment in respect of Loans during the years were as follows:

	2009 Mln RUR	2008 Mln RUR	2009 Mln USD	2008 Mln USD
Balance at 1 January	-	-	-	-
Increase in provision	(14)	-	-	-
Balance at 31 December	(14)	-	-	-

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

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

(b) Interest rate risk

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

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more appropriate to the Group over the expected period to maturity. At 31 December 2009 the Group did not have financial assets or liabilities with variable interest rate:

	Mln RUR	Mln RUR	Mln USD	Mln USD
	2009	2008	2009	2008
Financial instruments with fixed interest rate				
Financial assets	621	605	21	21
Financial liabilities	(6)	(494)	-	(17)
Total	615	111	21	4

(c) Foreign currency risk

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

Mln RUR	In RUR	In USD	In Pounds	In RUR	In USD	In Pounds
	2009	2009	2009	2008	2008	2009
Current assets						
Financial assets held-for-maturity	1	-	-	112	-	-
Loans granted	621	-	-	72	-	533
Trade and other receivables	786	80	-	691	-	-
Cash and cash equivalents	517	-	-	330	417	-
Non-current assets						
Loans granted	2	11	-	3	10	-
Investments in associates	5	-	-	-	-	-
Available-for-sale Investments	-	-	-	-	95	-
Total assets	**1 932**	**91**	**-**	**1 208**	**522**	**533**
Current liabilities						
Trade and other payables	(1 814)	(30)	-	(1 555)	(146)	-
Loans and borrowings	(6)	-	-	(80)	(413)	-
Deferred liabilities on company acquisition	(6)	-	-	(23)	-	-
Total liabilities	**(1 826)**	**(30)**	**-**	**(1 658)**	**(559)**	**-**
Total	**106**	**61**	**-**	**(450)**	**(37)**	**533**

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

Mln USD	In RUR 2009	In USD 2009	In Pounds 2009	In RUR 2008	In USD 2008	In Pounds 2008
Current assets						
Financial assets held-for-maturity	-	-	-	4	-	-
Loans granted	21		-	2	-	18
Trade and other receivables	25	3	-	24	-	-
Cash and cash equivalents	17	-	-	11	14	-
Non-current assets						
Loans granted	-	-	-	-	1	-
Available-for-sale investments	-	-	-	-	3	-
Total assets	**64**	**3**	**-**	**41**	**18**	**18**
Current liabilities						
Trade and other payables	(60)	(1)	-	(53)	(5)	-
Loans and borrowings	-	-	-	(3)	(14)	-
Non-current liabilities						
Deferred liabilities on company acquisition	-	-	-	(1)	-	-
Total liabilities	**(60)**	**(1)**	**-**	**(59)**	**(19)**	**-**
	4	**2**	**-**	**(18)**	**(1)**	**18**

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

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

(d) Liquidity risk

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

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

	Average interest rate									
Mln RUR, 2009	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%	-	1 844	-	-	-	-	-	1 844
Loans and borrowings	11%	11%	6	-	-	-	-	-	-	6
Deferred liabilities on company acquisition	0%	0%	-	-	6	-	-	-	-	6
Total liabilities			6	1 844	6	-	-	-	-	1 856

	Average interest rate									
Mln USD, 2009	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%	-	62	-	-	-	-	-	62
Loans and borrowings	11%	11%	-	-	-	-	-	-	-	-
Deferred liabilities on company acquisition	0%	0%	-	-	-	-	-	-	-	-
Total liabilities			-	62	-	-	-	-	-	62

	Average interest rate									
Mln RUR, 2008	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**

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

Trade and other payables	0%	0%	-	1 701	-	-	-	-	-	1 701
Loans and borrowings	9-12%	9-12%	493	-	-	-	-	-	-	493
Deferred liabilities on company acquisition	0%	6%	-	-	23	-	-	-	-	23
Total liabilities			494	1 701	23	-	-	-	-	2 216

	Average interest rate									
Mln USD, 2008	**Contract**	**Effective**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Trade and other payables	0%	0%	-	58	-	-	-	-	-	58
Loans and borrowings	9-12%	9-12%	17	-	-	-	-	-	-	17
Deferred liabilities on company acquisition	0%	6%	-	-	1	-	-	-	-	1
Total liabilities			17	58	1	-	-	-	-	77

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

Sensitivity analysis in 2009 year

Exposure to different types of risk, Mln RUR	Book value	Interest risk (basis points) +200 Income/ (Loss)	Interest risk (basis points) -200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	Currency risk -10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	Other price risk -10% Income/ (Loss)
Current assets							
Financial assets held-to-maturity	1	-	-	-	-	-	-
Loans granted	621	12	(12)	-	-	-	-
Trade and other receivables	866	-	-	7	(7)	-	-
Cash and cash equivalents	517	-	-	-	-	-	-
Non-current assets							
Loans granted	13	-	-	1	(1)	-	-
Available for sale investments	5	-	-	-	-	-	-
Impact on financial assets before income tax		12	(12)	8	(8)	-	-
Income tax (20%)		(2)	2	(1,6)	1,6	-	-
Impact on financial assets after tax		10	(10)	6,4	(6,4)	-	-
Current liabilities							
Trade and other payables	(1,844)	-	-	3	(3)	-	-
Loans and borrowings	(6)	-	-	-	-	-	-
Deferred consideration on acquisition of subsidiary	(6)	-	-	-	-	-	-
Impact on financial liabilities before income tax		-	-	3	(3)	-	-
Income tax (20%)		-	-	(0,6)	0,6	-	-
Impact on financial liabilities after tax		-	-	2,4	2,4	-	-
Total increase/ (decrease)		**10**	**(10)**	**4**	**(4)**	-	-

Exposure to different types of risk, Mln USD	Book value	Interest risk (basis points) +200 Income/ (Loss)	Interest risk (basis points) -200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	Currency risk -10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	Other price risk -10% Income/ (Loss)
Current assets							
Financial assets held-to-maturity	-	-	-	-	-	-	-
Loans granted	21	-	-	0,2	(0,2)	-	-
Trade and other receivables	29	-	-	-	-	-	-
Cash and cash equivalents	17	-	-	-	-	-	-
Non-current assets							
Loans granted	1	-	-	-	-	-	-
Available for sale investments	3	-	-	-	-	-	-
Impact on financial assets before income tax		-	-	0,2	(0,2)	-	-
Income tax (20%)		-	-	-	-	-	-
Impact on financial assets after tax		-	-	0,2	(0,2)	-	-
Current liabilities							
Trade and other payables	(62)	-	-	0,1	(0,1)	-	-
Loans and borrowings	-	-	-	-	-	-	-
Deferred consideration on acquisition of subsidiary	(1)	-	-	-	-		
Impact on financial liabilities before income tax	-	-	-	0,1	(0,1)	-	-
Income tax (20%)		-	-	-	-	-	-
Impact on financial liabilities after tax		-	-	0,1	0,1	-	-
Total increase/ (decrease)		-	-	**0,1**	**(0,1)**	-	-

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

Sensitivity analysis in 2008 year

Exposure to different types of risk, Mln RUR	Book value	Interest risk (basis points)		Currency risk		Other price risk	
		+200	-200	+10%	-10%	+10%	-10%
		Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)	Income/ (Loss)
Current assets							
Financial assets held-to-maturity	112	4	(4)	55	(55)		
Loans granted	605	17	(17)	60	(60)		
Trade and other receivables	691			-	-		
Cash and cash equivalents	747			42	(42)		
Non-current assets							
Loans granted	13						
Available for sale investments	95			10	(10)		
Impact on financial assets before income tax		21	(21)	112	(112)		
Income tax (20%)		(4)	4	(22)	22		
Impact on financial assets after tax		17	(17)	90	(90)		
Current liabilities							
Trade and other payables	(1,701)						
Loans and borrowings	(493)	(9)	9	(41)	41	-	-
Deferred consideration on acquisition of subsidiary	(23)	(1)	1	-	-	-	-
Impact on financial liabilities before income tax		(10)	10	(41)	41	-	-
Income tax (20%)		2	(2)	8	(8)		
Impact on financial liabilities after tax		(8)	8	(33)	33		
Total increase/ (decrease)		**9**	**(9)**	**57**	**(57)**		

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

Exposure to different types of risk, Mln USD	Book value	Interest risk (basis points) +200 Income/ (Loss)	Interest risk (basis points) -200 Income/ (Loss)	Currency risk +10% Income/ (Loss)	Currency risk -10% Income/ (Loss)	Other price risk +10% Income/ (Loss)	Other price risk -10% Income/ (Loss)
Current assets							
Financial assets held-to-maturity	4	-	-	-	-		
Loans granted	21	1	(1)	2	(2)		
Trade and other receivables	24	-	-	-	-		
Cash and cash equivalents	25	-	-	2	(2)		
Non-current assets							
Loans granted	1	-	-	-	-		
Available for sale investments	3	-	-	-	-		
Impact on financial assets before income tax		1	(1)	4	(4)		
Income tax (20%)		-	-	(1)	1		
Impact on financial assets after tax		1	(1)	3	(3)		
Current liabilities							
Trade and other payables	(58)	-	-	-	-	-	-
Loans and borrowings	(17)	-	-	(1)	1	-	-
Deferred consideration on acquisition of subsidiary	(1)	-	-	-	-	-	-
Impact on financial liabilities before income tax		-	-	(1)	1	-	-
Income tax (20%)		-	-	-	-	-	-
Impact on financial liabilities after tax		-	-	(1)	1	-	-
Total increase/ (decrease)		**1**	**(1)**	**2**	**(2)**	-	-

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

(e) Fair value

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

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

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

26. Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

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

(d) Guarantee contingencies

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

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

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

As at 31 December 2009 ZAO "Royal Bank of Scotland" did not make demand on loan repayment. At present ZAO "Royal Bank of Scotland" and OAO "RBC Information System" come to terms about restructuring of loan.

27. Related party transactions

(a) Control

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

The main shareholders are:

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

as at 31 December 2009– ZAO "Depozitarno-Cliringovaya Companiya", Necommercheskoe Partnerstvo "Nacionalny depozitarny centre".

There were no transactions with related parties during 2009 year.

(b) Transactions with management and close family members

Management remuneration

During the year key management received the remuneration in the form of salaries and bonuses in amount of 20 million RUR/ USD 0.6 million, which are included in personnel costs (note 9b). Additionally, in 2009 there were in force option programs providing remuneration to key management by the shares of the Company (note 24).

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

28. Significant subsidiaries

	Country of incorporation	2009 Ownership
OOO "RBC Soft"	Russia	100%
ZAO "Armada Soft"	Russia	100%
OOO "RBC Center"	Russia	100%
ZAO "IT Engineering"	Russia	100%
ZAO "Sojuzinform"	Russia	55,01%
ZAO "PM Expert"	Russia	50,01%
OOO "ETS"	Russia	51%
OOO "RBC Inform"	Russia	51%
OOO "RBC Tehnologii"	Russia	51%
OOO "Helios Computer"	Russia	51%
OOO "Dom dlya PC"	Russia	100%
"Helios IT OPERATOR Limited"	British Virgin Islands (BVI)	51%

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

On 4 February 2009 was concluded an option agreement on purchasing 100% share capital of Commercial Alliance Inc (Panama). As at 31.12.2009 Commercial Alliance Inc is not controlled by the Group.

29. Events subsequent to the balance sheet date.

1) On 11 January 2010 the Group approved an option program for senior management. Option program period of validity is from 1 January 2010 till 31 December 2011. For execution of that program the Group plans to obtain OAO "Armada" shares on the open market in the quantity 130 000 pieces (1.3% of OAO "Armada" share capital).
2) On 15 February 2010 the Board of Directors of the Group made a decision to make amendments to the option program for Board of Directors and senior management: the offering price for a share, which equaled to 494 RUR/ USD 20 per share was decreased to 250 RUR/8 USD per share; the maximum number of purchasing treasure shares reduced from 210 000 to 160 000 pieces.
3) On 27 April 2010, The Board of Directors made a decision to increase the share capital of OAO "Armada" by 20 percent by additional emission on the following conditions:

   Number of issuing shares - 2 400 000 pieces;

   Nominal value - 1 ruble.

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

4) On 28 April 2010 the loan provided to Art Technology Group Limited was partly covered by offsetting of claims in the amount of 149 Mln. RUR/5 Mln. USD. Reached an agreement to cover the rest of the loan, including accrued interest, not later than 31.12.2010.

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

Всего прошито,
пронумеровано и скреплено
печатью 56 (пятьдесят
шесть) лист/а/ов