OJSC Rosinter Restaurants Holding

Consolidated Financial Statements

For the year ended December 31, 2009

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TABLE OF CONTENTS

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Independent auditors' report

To the shareholders of OJSC Rosinter Restaurants Holding

We have audited the accompanying consolidated financial statements of OJSC Rosinter Restaurants Holding and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

May 17, 2010 Ernst & Young LLC

OJSC Rosinter Restaurants Holding

Consolidated Statement of Financial Position at December 31, 2009

(All amounts are in thousands of US dollars)

	Notes	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Property and equipment	7	78,873	85,942
Intangible assets	6	10,784	14,683
Goodwill	5	4,671	4,808
Investments in joint ventures and associates	8	917	1,490
Long-term loans due from related parties	16	4,753	875
Long-term advances to related parties	16	5,470	8,133
Long-term receivables due from related parties	16	1,255	1,120
Deferred income tax asset	19	2,701	4,335
Other non-current assets		4,603	4,996
		114,027	**126,382**
Current assets			
Inventories	9	6,625	6,459
Advances paid	10	4,451	5,458
VAT and other taxes recoverable		3,574	4,863
Trade and other receivables	11	3,194	3,495
Short-term loans		80	171
Short-term loans due from related parties	16	2,359	2,702
Receivables from related parties	16	2,457	2,105
Cash and cash equivalents	12	3,745	5,934
		26,485	**31,187**
TOTAL ASSETS		**140,512**	**157,569**
EQUITY AND LIABILITIES			
Share capital	13	71,847	71,847
Additional paid-in capital	13	14,886	14,886
Share premium	13	46,698	46,698
Treasury shares	13	(8,608)	(8,608)
Accumulated losses		(121,164)	(108,733)
Translation difference		(1,316)	1,267
TOTAL PARENT SHAREHOLDERS EQUITY		**2,343**	**17,357**
Non-controlling interests		**1,096**	**1,344**
TOTAL EQUITY		**3,439**	**18,701**
Non-current liabilities			
Long-term debt due to related parties	16	814	814
Long-term debt	17	34,098	3,688
Finance lease liabilities	18	12	143
Long-term liabilities to partners	15	4,149	5,187
Deferred revenue		1,542	2,282
Deferred income tax liabilities	19	2,586	2,727
		43,201	**14,841**
Current liabilities			
Trade and other payables	20	46,765	36,499
Short-term debt	21	31,547	44,721
Current portion of long-term debt	21	7,103	34,293
Payables to related parties	16	1,477	1,945
Income tax payable		2,731	1,254
Current portion of finance lease liabilities	18	144	369
Current liabilities to partners	15	3,397	4,338
Deferred revenue		708	608
		93,872	**124,027**
TOTAL EQUITY AND LIABILITIES		**140,512**	**157,569**

The accompanying notes form an integral part of these consolidated financial statements

OJSC Rosinter Restaurants Holding

Consolidated Income Statement

for the year ended December 31, 2009

(all amounts are in thousands of US dollars, except for earnings per share)

	Notes	2009	2008
Revenue	22	**262,978**	**336,394**
Cost of sales	23	(192,941)	(237,051)
Gross profit		**70,037**	**99,343**
Selling, general and administrative expenses	24	(50,363)	(68,011)
Start-up expenses for new restaurants		(2,187)	(12,415)
Increase in the allowance for impairment of advances paid, taxes recoverable and receivables		(687)	(1,391)
Other gains	26	1,059	1,969
Other losses	26	(5,934)	(7,555)
Foreign exchange (losses)/gains from operating activities, net		(94)	385
Profit from operating activities before impairment		**11,831**	**12,325**
Losses from impairment of operating assets	28	(1,386)	(5,683)
Profit from operating activities after impairment		**10,445**	**6,642**
Financial income	27	670	1,583
Financial expense	27	(10,978)	(12,036)
Foreign exchange losses from financial activities, net		(1,807)	(6,711)
Share of losses of joint venture and associates	8	(538)	(1,279)
Losses from impairment of goodwill	28	–	(452)
Loss before income tax		**(2,208)**	**(12,253)**
Income tax expense	19	(6,225)	(2,953)
Net loss for the year		**(8,433)**	**(15,206)**
Attributable to:			
Equity holders of the parent entity		(8,254)	(15,190)
Non-controlling interests		(179)	(16)
Losses per share, basic and diluted, US dollars	13	**(0.69)**	**(1.28)**

The accompanying notes form an integral part of these consolidated financial statements

OJSC Rosinter Restaurants Holding

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2009

(all amounts are in thousands of US dollars, except for earnings per share)

	2009	2008
Net loss for the year	**(8,433)**	**(15,206)**
Exchange differences on translation from functional to presentation currency	(2,597)	(2,685)
Share of exchange differences of associates and joint ventures	(35)	(372)
Other comprehensive loss for the year, net of tax	**(2,632)**	**(3,057)**
Total comprehensive loss for the year, net of tax	**(11,065)**	**(18,263)**
Attributable to:		
Equity holders of the parent entity	(10,837)	(17,925)
Non-controlling interests	(228)	(338)

OJSC Rosinter Restaurants Holding

Consolidated Statement of Cash Flows

for the year ended December 31, 2009

(All amounts are in thousands of US dollars)

	Notes	2009	2008
Operating activities			
Loss before tax		(2,208)	(12,253)
Adjustments to reconcile loss before tax to net cash provided by operating activities:			
Depreciation and amortisation		12,766	12,780
Foreign exchange losses		1,901	6,326
Financial income	27	(670)	(1,583)
Financial expense	27	10,978	12,036
Allowance for impairment of advances paid, taxes recoverable and receivables	24	687	1,391
Allowance for impairment of inventories		210	(104)
Loss on disposal of non-current assets	26	3,030	2,957
Impairment of assets	28	1,386	6,135
Share of joint venture's and associates' results	8	538	1,279
Write off and impairment of loans receivable from related parties		1,073	–
		29,691	**28,964**
Changes in operating assets and liabilities:			
Increase in inventories		(611)	(1,277)
Decrease/(increase) in advances, taxes recoverable, receivables and other non-current assets		1,445	(7,258)
Increase in receivables from/payables to related parties, net		(937)	1,630
Increase in trade and other payables		9,755	10,390
Net cash generated from operations		**39,343**	**32,449**
Interest paid		(10,147)	(8,835)
Interest received		121	1,147
Income tax paid		(3,327)	(4,625)
Net cash flows from operating activities		**25,990**	**20,136**
Investing activities			
Purchases of property and equipment		(9,655)	(36,772)
Loans issued to related parties		(4,548)	(5,289)
Prepayments to acquire subsidiaries		(1,968)	(10,428)
Purchase of intangible assets		(753)	(3,436)
Proceeds from disposal of property and equipment		292	347
Proceeds from repayment of loans issued to third parties		83	2,111
Proceeds from sale of shares in subsidiaries		6	1,634
Issuance of loans to third parties		–	(2,027)
Proceeds from repayment of loans issued to related parties		–	19,528
Acquisition of subsidiaries, net of cash acquired	5	–	(12,381)
Contribution to a joint venture	8	–	(2,999)
Net cash flows used in investing activities		**(16,543)**	**(49,712)**

Continued on the next page

Consolidated Statement of Cash Flows (continued)

	Notes	2009	2008
Financing activities			
Proceeds from bank loans *		107,701	139,930
Repayment of bank loans *		(116,413)	(106,036)
Amounts paid to partners	15	(2,090)	(6,685)
Proceeds from partners	15	114	1,706
Repayment of lease obligations		(532)	(759)
Dividends paid to shareholders		(9)	–
Repayment of related party loans		–	(300)
Payment to acquire ownership interest in subsidiaries from partners	15	–	(199)
Net cash flows used in/from financing activities		**(11,229)**	**27,657**
Effect of exchange rate changes on cash and cash equivalents		(407)	(184)
Net decrease in cash and cash equivalents		(2,189)	(2,103)
Cash and cash equivalents at beginning of the year		**5,934**	**8,037**
Cash and cash equivalents at end of the year		**3,745**	**5,934**

* The Group uses financing which, due to the short term nature of this debt (i.e. 3 to 11 months), requires repayment and reissuance several times throughout the year.

OJSC Rosinter Restaurants Holding

Consolidated Statement of Changes in Equity

for the year ended December 31, 2009

(All amounts are in thousands of US dollars)

	Attributable to equity holders of the parent entity								
	Share capital	**Additional paid-in capital**	**Share premium**	**Treasury shares**	**Accumulated losses**	**Translation difference**	**Parent shareholder's equity**	**Non-controlling interests**	**Total Equity**
At December 31, 2007	**71,847**	**14,886**	**46,698**	**(8,608)**	**(93,543)**	**4,002**	**35,282**	–	**35,282**
Net loss for the year	–	–	–	–	(15,190)	–	**(15,190)**	(16)	**(15,206)**
Other comprehensive loss for the year	–	–	–	–	–	(2,735)	**(2,735)**	(322)	**(3,057)**
Total comprehensive loss for the year	–	–	–	–	**(15,190)**	**(2,735)**	**(17,925)**	**(338)**	**(18,263)**
Non-controlling interests arising on acquisition of subsidiaries *(Note 5)*	–	–	–	–	–	–	**–**	1,682	**1,682**
At December 31, 2008	**71,847**	**14,886**	**46,698**	**(8,608)**	**(108,733)**	**1,267**	**17,357**	**1,344**	**18,701**
Net loss for the year	–	–	–	–	(8,254)	–	**(8,254)**	(179)	**(8,433)**
Other comprehensive loss for the year	–	–	–	–	–	(2,583)	**(2,583)**	(49)	**(2,632)**
Total comprehensive loss for the year	–	–	–	–	**(8,254)**	**(2,583)**	**(10,837)**	**(228)**	**(11,065)**
Purchase of non-controlling interest in a subsidiary *(Note 14)*	–	–	–	–	(4,177)	–	**(4,177)**	–	**(4,177)**
Dividends	–	–	–	–	–	–	**–**	(20)	**(20)**
At December 31, 2009	**71,847**	**14,886**	**46,698**	**(8,608)**	**(121,164)**	**(1,316)**	**2,343**	**1,096**	**3,439**

The accompanying notes form an integral part of these consolidated financial statements

1. Corporate Information

OJSC Rosinter Restaurants Holding (the "Company") was registered as a Russian open joint stock company on May 24, 2004. The registered and headquarter address of the Company is at 7 Dushinskaya str., Moscow, 111024, Russia. As of December 31, 2009, the Company's controlling shareholder was RIG Restaurants Limited, a limited liability company (the "Parent") (formerly known as Rostik Restaurants Limited) incorporated under the laws of Cyprus. RIG Restaurants Limited is under the ultimate control of Mr. Rostislav Ordovsky-Tanaevsky Blanco.

OJSC Rosinter Restaurants Holding and its subsidiaries (the "Group") is the leading casual dining operator in Russia and CIS both by number of restaurants and by revenue. The Group's business is focused on serving the most popular cuisines in Russia: Italian, Japanese, American and local Russian cuisine.

The Group derives approximately 90% of its revenues from restaurant business sales:

- most of the Group's restaurants operate under its core proprietary trademarks: "IL Patio pizza pasta grill", "Planet Sushi", "American Bar and Grill", "Café Des Artistes", "Pechki-Lavochki" and "1-2-3 Café".
- other restaurants operate under licensed trademarks: "T.G.I. Friday's", "Sibirskaya Korona" and "Benihana".

Other revenue of the Group represents revenue from the network of independent franchisees in Moscow and throughout Russia and the CIS, sublease and other services, revenues from canteens and from sales of semi-finished products.

The Group's principal business activities are concentrated within the Russian Federation, but it also operates in Ukraine, Belarus, Kazakhstan, Latvia, Czech Republic, Poland and Hungary. The Group also has exclusive development rights and/or registered trademarks in Azerbaijan, Kyrgyzstan, Uzbekistan, Moldova, Lithuania, Estonia, Austria, Slovenia, Slovakia, Romania, Croatia, Macedonia, Bulgaria, Serbia and Montenegro.

The Group was formed during 2004 to 2006 through a reorganization of entities under common control of the Parent, in which the shares of the subsidiaries were contributed into the share capital of the Company.

On June 2007, the Parent sold 3,125,000 ordinary shares of the Company during the Initial Public Offering for a cash consideration of $100,000. At the same time, the Company issued and sold 2,030,457 new shares to the Parent at a price of $29.55 per share. The nominal price of the shares issued was 169.7 Russian roubles ($6.55 at the transaction date exchange rate). The shares of the Company sold by the Parent were admitted for trading on the Russian Trading System Stock Exchange and afterwards on MICEX.

The consolidated financial statements of the Company for the year ended December 31, 2009 were authorised for issue in accordance with a resolution of the Board of Directors on May 14, 2010.

The Group derives revenue in the territory of Russia and other CIS countries, Baltic States and other European countries. For the years ended December 31, 2009 and 2008, the revenues from the Russian market were approximately 83% and 81% of total revenues, respectively. The second largest market was Kazakhstan with 5% of total revenues for 2009 and 2008.

As of December 31, 2009 and 2008, the Group employed approximately 8,050 and 8,200 people, respectively.

1. Corporate Information (continued)

The Company had a controlling ownership interest, directly or indirectly, in the following principal subsidiaries:

Entity	Country of incorporation	2009 % Ownership	2008 % Ownership
Rosinter Restaurants LLC	Russia	98.70%	98.70%
Rosinter Restaurants Novosibirsk LLC	Russia	100.00%	100.00%
Rosinter Restaurants Samara LLC	Russia	100.00%	51.00%
Rosinter Restaurants Perm LLC	Russia	51.00%	51.00%
Rosinter Restaurants Ekaterinburg LLC	Russia	51.00%	51.00%
BelRosInter LLC	Belarus	100.00%	100.00%
Rosinter Almaty LLP	Kazakhstan	90.00%	90.00%
Rosinter Ukraine LLC	Ukraine	51.00%	51.00%
RIGS Services Limited	Cyprus	100.00%	100.00%
Rosinter Czech Republic s.r.o.	The Czech Republic	100.00%	100.00%
Rosinter Polska Sp. z o.o.	Poland	100.00%	100.00%
Rosinter Hungary Kft	Hungary	100.00%	100.00%

During 2009, the Group opened 21 new restaurants and closed 29 restaurants. During 2008, the Group opened 100 new restaurants and closed 6 restaurants. In addition, the Group continues to develop a casual dining restaurant business on a franchise agreement basis. The Group opened 25 and closed 4 franchise restaurants in Moscow city, Moscow region and Russian regions in 2009. The Group opened 16 and closed 5 franchise restaurants in Moscow, Russian regions and Baltic countries in 2008. As of December 31, 2009, the Group operated 350 restaurants.

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group’s current liabilities as of December 31, 2009 of $93,872 exceeded its current assets by $67,387. The net current liability position primarily results from bank loans in the amount of $34,719, bonds payable in the total amount of $3,931 with a maturity date of November 26, 2010 and trade and other payables.

Group management believes that it is appropriate to prepare the financial statements on a going concern basis due to the following:

- The business strategy of the Group allows generating significant operating cash flows. In 2009 and 2008, the Group generated $25,990 and $20,136 of net cash from operating activities, respectively. The Group is expecting for 2010 positive operating cash flows in the range of prior years’ operating cash flows mainly due to the fact that new restaurants opened recently are mostly maturing in 2009 and 2010. An additional positive impact on cash flows comes from all 2009 efficiency initiatives that start showing an impact in 2010.
- On February 17, 2010, the Group announced a secondary offering of the Company’s ordinary shares in the amount of up to 4,274,877 shares and the offer price has been set at $10.5 per share for the total amount of up to $44,886. In March 2010, during the first step of the offering the Group received from the Parent a bridge loan for the shares in the amount of $26,196 (refer to Note 31).
- Out of $72,748 total debt (at December 31, 2009), the Group has extended Sberbank loans in the amount of $14,879 till February 2011 and has repaid $19,525 to other banks in March and April 2010. At May 14, 2010, the amount of short-term debt was $28,072 which was comparable with the amount of projected cash flows from operating activities for 2010. In 2010, the Group renegotiated all loan agreements and reduced average cost of financing from 16.05% as at December 31, 2009 to 11.92% as at May 14, 2010 (refer to Notes 17, 21).

2. Going Concern (continued)

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary if such additional resources are not available and the Group is unable to continue as a going concern.

3. Basis of Preparation of Financial Statements

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of Preparation

Group companies maintain their accounting records and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the country in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group's statutory based accounting records, reflect adjustments and reclassifications necessary for such financial statements to be presented in accordance with the standards and interpretations prescribed by the IASB.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies in Note 4.

As discussed above, the Group was formed through the reorganization of entities under common control using the pooling of interests method. Assets and liabilities were recognised using the carrying value of the predecessor companies.

Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted new/revised standards and interpretations mandatory for financial years beginning on or after January 1, 2009 as described below, and has made the reclassifications in the 2008 comparative numbers as follows:

Extract from Consolidated Income Statement

	2008 As reported	**Reclassifications**	**2008 As reclassified**
Revenue *	**341,108**	**(4,714)**	**336,394**
Cost of sales *, **	(216,641)	(20,410)	(237,051)
Gross profit	**124,467**	**(25,124)**	**99,343**
Selling, general and administrative expenses **	(106,941)	38,930	(68,011)
Start-up expenses for new restaurants ***	–	(12,415)	(12,415)
Allowance for impairment of advances paid, taxes recoverable and receivables ***	–	(1,391)	(1,391)
Other gains	1,969	–	1,969
Other losses	(7,555)	–	(7,555)
Foreign exchange gains from operating activities, net	385	–	385
Profit from operating activities before impairment	**12,325**	**–**	**12,325**

* The Group reclassified marketing revenue received from suppliers to cost of sales.

** The Group reclassified general restaurants expenses from selling, general and administrative expenses to cost of sales.

*** The Group reclassified start-up expenses for new restaurants and allowance for impairment of advances paid, taxes recoverable, receivables from selling, general and administrative expenses to separate lines.

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures

Extract from Consolidated Statement of Cash Flows

	2008 As reported	Reclassifications	2008 As reclassified
Operating activities			
Net loss for the year /Loss before tax*	(15,206)	2,953	(12,253)
Adjustments to reconcile loss before tax to net cash provided by operating activities:			
Deferred income tax benefit*	(2,097)	2,097	–
Changes in operating assets and liabilities:			
Increase in trade and other payables*	10,815	(425)	10,390
Net cash generated from operations	**27,824**	**4,625**	**32,449**
Interest paid*	–	(8,835)	(8,835)
Interest received*	–	1,147	1,147
Income tax paid*	–	(4,625)	(4,625)
Net cash from operating activities	**27,824**	**(7,688)**	**20,136**
Interest received from loans issued to related parties	1,082	(1,082)	–
Interest received from bank deposit	65	(65)	–
Net cash from investing activities	**(48,565)**	**(1,147)**	**(49,712)**
Bank interest paid	(8,835)	8,835	–
Net cash from financing activities	**18,822**	**8,835**	**27,657**

* The Group changed the presentation of income tax, interest paid and interest received in the consolidated statement of cash flows as compared to the presentation in the 2008 consolidated financial statements.

The above described reclassifications provide reliable and more relevant information compared to peers in the industry.

The new/revised standards and interpretations mandatory for financial year beginning on or after January 1, 2009 are the following:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* effective January 1, 2009;
- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective January 1, 2010 (early adopted);
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective July 1, 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39;
- IFRS 7 *Financial Instruments: Disclosures* effective January 1, 2009;
- IFRS 8 *Operating Segments* effective January 1, 2009;
- IAS 1 *Presentation of Financial Statements* effective January 1, 2009;
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* effective January 1, 2009;
- IFRIC 9 *Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* effective for periods ending on or after June 30, 2009;
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* effective October 1, 2008;
- IFRIC 18 *Transfers of Assets from Customers* effective July 1, 2009 (early adopted);
- Improvements to IFRSs (April 2009, early adopted).

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures (continued)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 2 *Share-based Payment (Revised)*

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The amendment did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The amendment did not have an impact on the financial position or performance of the Group.

IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)*

The Group adopted the revised IFRS 3 from January 1, 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no impact on earnings/(losses) per share.

IFRS 7 *Financial Instruments: Disclosures*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 30.

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures (continued)

IFRS 8 *Operating Segments*

IFRS 8 replaced IAS 14 *Segment Reporting* upon its effective date. This standard requires disclosure of information about the Group's operating segments. All operating segments of the Group are identified on the basis of internal reports that are regularly reviewed by the Group's top management and represent Moscow business unit, Regional business unit and European business unit. These operating segments are aggregated into a single reporting segment as they have similar economic characteristics and the segments are similar in the nature of the products, services and production processes, the type of customers of their products and services, and the nature of the regulatory environment. Adoption of IFRS 8 did not have any effect on the financial position or performance of the Group.

IAS 1 *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

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

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures (continued)

Improvements to IFRSs

In April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segment Information:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. All operating segments of the Group are identified on the basis of internal reports that are regularly reviewed by the Group's top management and represent Moscow business unit, Regional business unit and European business unit. These operating segments are aggregated into a single reporting segment as they have similar economic characteristics and the segments are similar in the nature of the products, services and production processes, the type of customers of their products and services, and the nature of the regulatory environment. Adoption of IFRS 8 did not have any effect on the financial position or performance of the Group.
- IAS 7 *Statement of Cash Flows:* Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 18 *Revenue:* The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance:* Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group.
- IAS 36 *Impairment of Assets:* The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payment*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Error*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefits*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 31 *Interest in Joint Ventures*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Properties*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not applied the following IFRS and IFRIC Interpretation that have been issued but are not yet effective:

- IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items (Amendment)*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

The Group plans to apply standards and interpretations not yet effective for annual periods beginning on or after their effective dates.

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's results of operations and financial position in the period of initial application.

4. Significant Accounting Policies and Estimates

Principles of Consolidation

Subsidiaries

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Business Combinations and Goodwill

Business Combinations from January 1, 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

4. Significant Accounting Policies and Estimates (continued)

Principles of Consolidation (continued)

Business Combinations prior to December 31, 2008

Business combinations, including business combinations involving entities or businesses under common control, were accounted for using the purchase method. The cost of an acquisition was measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest (formerly known as minority interest).

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the income statement, its share of movements in reserves is recognised in equity and its share of the net assets of associates is included in the consolidated statement of financial position. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The share of profits or losses of associates is shown on the face of the income statement. These are the profits or losses attributable to equity holders of the associates and therefore are profits or losses after tax and non-controlling interests in the subsidiaries of the associates. The financial statements of the associates are prepared for the same reporting period as the parent company.

Interests in Joint Ventures

The Group's interest in a joint venture which is a jointly controlled entity is accounted for using the equity method of accounting until the date on which the Group ceases to have joint control over the joint venture. When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profit of the joint venture from the transaction until it resells the assets to an independent party. The financial statements of the joint venture are prepared for the same reporting period as the parent company.

Functional and Presentation Currency

The Group has chosen the US dollar as the presentation currency as being more convenient for the major current and potential users of the consolidated financial statements. All financial information presented in USD has been rounded to the nearest thousand.

4. Significant Accounting Policies and Estimates (continued)

Functional and Presentation Currency (continued)

The functional currency of the Company and its subsidiaries located in the Russian Federation is the Russian rouble (the "rouble"). The functional currency of the subsidiaries located in other countries is the respective other local currency. The translation of the financial statements from the functional currency to the presentation currency is done in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The assets and liabilities of the subsidiaries which use the rouble or other local currencies as the functional currency are translated into the presentation currency at the rate of exchange ruling at the reporting date, and their transactions are translated at the weighted average exchange rates for the year. Equity items, other than the net profit or loss for the year that is included in the balance of accumulated profit or loss, are translated at the historical exchange rate effective at the date of transition to IFRS. Equity transactions measured in terms of historical cost in a functional currency are translated using the exchange rates at the date of the transaction. The exchange differences arising on the translation are recognised in other comprehensive income or loss.

Transactions in foreign currencies in the Company and each subsidiary are initially recorded in the functional currency at the rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the rate of exchange ruling at the reporting date. All resulting differences are recorded as foreign currency exchange gains or losses in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

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

Financial Assets at Fair Value through Profit or Loss

Investments classified as held for trading are included in the category "financial assets at fair value through profit or loss". Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit and loss.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. During the years ended December 31, 2009 and 2008, the Group did not hold any investments in this category.

4. Significant Accounting Policies and Estimates (continued)

Financial Assets (continued)

Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. During the years ended December 31, 2009 and 2008, the Group did not hold any investments in this category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in income statement in finance cost.

Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. As at December 31, 2009 and 2008, the Group had no available-for-sale financial assets.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. Significant Accounting Policies and Estimates (continued)

Financial Assets (continued)

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

For amounts due from loans and receivables carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group, if, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in other comprehensive income.

4. Significant Accounting Policies and Estimates (continued)

Financial Assets (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Property and Equipment

Property and equipment are recorded at historical cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. At each reporting date, management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Depreciation is calculated on property and equipment principally on a straight-line basis from the time the assets are available for use, over the following estimated economic useful lives:

Description	Useful life, years
Leasehold improvements	10
Buildings	10-30
Restaurant equipment	4-10
Computer equipment and electronics	4
Office furniture and fixtures	10
Vehicles	5-10

Depreciation attributable to restaurants is presented in cost of sales; other depreciation is presented within selling, general and administrative expenses in the consolidated income statement. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale and the date the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end. Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised if it can be clearly demonstrated that they extend the life of the asset or significantly increase its revenue generating capacity beyond its originally assessed standard of performance, and the assets replaced are derecognised. Gains and losses arising from the retirement or disposal of property and equipment are included in the consolidated income statement as incurred.

Assets under construction are stated at cost which includes cost of construction and equipment and other direct costs. Assets under construction are not depreciated until the constructed or installed asset is ready for its intended use.

4. Significant Accounting Policies and Estimates (continued)

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the useful economic lives from 4 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset. The following specific amortisation terms are applied for each type of intangible asset:

The Group capitalises franchise lump sums paid to T.G.I. Friday's Inc. for each new restaurant opened by the Group under "T.G.I. Friday's" brand name. Such franchise lump sums are amortised on a straight-line basis over the franchise contractual period of 15 years.

The Group has exclusive rights to lease and sublease a number of restaurant premises. These rights are accounted for at cost and are amortised on a straight-line basis over the useful life period, generally from 4 to 10 years.

Software development costs are capitalised in accordance with requirements of IAS 38 *Intangible assets* at cost and are amortised on a straight-line basis over their estimated useful lives, generally four years.

Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Instead it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. As at the acquisition date any goodwill acquired in acquisitions is allocated to each of the cash-generating units or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other assets and liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The carrying amount of goodwill at December 31, 2009 and 2008 was $4,671 and $4,808, respectively.

4. Significant Accounting Policies and Estimates (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or restaurant level group of assets' (cash generating unit) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

4. Significant Accounting Policies and Estimates (continued)

Value Added Tax

The Russian tax legislation permits settlement of value added tax (“VAT”) on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

VAT recoverable arises when VAT related to purchases exceeds VAT related to sales.

Receivables

Receivables, which generally have a short term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. Allowance is made when there is objective evidence that the Group will not be able to collect the debts. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand, cash in transit and short-term deposits with an original maturity of three months or less.

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised when the shareholder’s right to receive the payment is established. Dividends in respect of the period covered by the financial statements that are proposed or declared after the reporting date but before approval of the financial statements are not recognised as a liability at the reporting date in accordance with IAS 10 *Events After the Reporting Period*.

Treasury Shares

Own equity instruments which are reacquired by the Group (“treasury shares”) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Treasury shares are not recognised as a financial asset regardless of the reason for which they are reacquired.

4. Significant Accounting Policies and Estimates (continued)

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and Borrowings

Loans and credit facilities are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans and credit facilities are measured at amortised cost using the effective interest rate method; any difference between the initial fair value of the consideration received (net of transaction costs) and the redemption amount is recognised as an adjustment to interest expense over the period of the loan.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

4. Significant Accounting Policies and Estimates (continued)

Financial Liabilities (continued)

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue with a minimum fixed monthly payment or as a fixed monthly payment. Some lease agreements contain escalation clauses.

Liabilities to Partners

Before 2007, the Group entered into partnership agreements with third parties (the "partners") in respect of opening and operating the new restaurants. In accordance with the partnership agreements, the partners have the right to obtain a share in profits of a particular restaurant or group of restaurants in return for their initial cash investments into the restaurants. The Group manages the operations of the restaurants. The Group recognises all assets and liabilities of the restaurant in the Group's consolidated financial statements as well as all income and expenses from their operations. In addition, the Group recognises a liability to partners under the partnership agreements.

Some of the Group's subsidiaries in Russia and CIS are incorporated in the legal form of limited liability companies (LLC) and have several participants (or partners). Each participant has a right to a dividend distribution proportional to its ownership interest. In addition to the contribution to the charter capital the partners provide LLCs with interest-bearing or interest-free loans which are linked to their ownership interest in a LLC. If a participant decides to exit the LLC, the company is obliged to repay the actual value of the participant's interest which is determined as its proportional share of net assets reported in the local statutory accounts. Therefore, the partners' interest in these LLCs and loans provided are classified as a liability to partners in the Group's consolidated statement of financial position.

At initial recognition, the liability to partners is recognised at its fair value which is equal to the initial cash investment of the partner. Subsequently, the liability to partners is measured at amortised cost which is calculated as the net present value of the estimated future payments to the partner using an effective interest method and any unwinding of the discount is reflected in the income statement as a finance charge. If the estimates of the future cash payments to the partner change, the carrying amount of the liability is recalculated by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised as finance income or expense in the consolidated income statement. The income attributed to the partners is presented as a finance expense in the consolidated income statement.

The differences between the carrying values of partners liabilities relating to acquired ownership interest and the consideration paid to acquire ownership interest are recognised as financial expense.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

4. Significant Accounting Policies and Estimates (continued)

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair Value of Financial Instruments

The fair value of financial instruments that are traded on active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised Cost of Financial Instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, 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 where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Revenue Recognition

Revenues are recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable and comprise amounts received following direct sales in restaurant and amounts received or receivable from franchise holders, net of any rebates, VAT and other sales taxes.

The following specific recognition criteria must also be met before revenue is recognised:

Revenues from Restaurants and Canteens

Restaurant and canteens revenues are recognised when food and beverages are served. Revenues from food distribution are recognised upon delivery to the customers. Revenues are recognised at fair value of meals and services delivered, net of value added tax charged to customers.

4. Significant Accounting Policies and Estimates (continued)

Revenue Recognition (continued)

Franchise Revenues

Franchise revenues comprise fixed franchise fees and continuing royalty fees, which are charged for the right to use certain of the Group's intellectual property granted by the franchise agreements and for other services provided during the period of the agreement. Franchise fees are recognised as revenues as the rights are granted. Royalty fee from an individual licensee is recognised as a percentage of its revenue over the period of the agreement. Royalty fees are reported as franchise revenue when the fees are earned and become receivable.

Sublease Revenues

The Group leases certain premises. Parts of these premises are subleased to third parties. Sublease revenues are recognised over the lease terms.

Sales of Semi-finished Products to Franchisees

The Group gains revenues from sales of semi-finished products produced at the Group's main kitchen production line. Revenues are recognised at fair value of the consideration receivable, net of value added tax.

Interest Income

For all financial instruments measured at amortised cost interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Borrowing Costs

Borrowing costs of the Group include interest on bank overdrafts, short-term, long-term credit facilities and bonds. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is calculated as the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. For the year ended December 31, 2009 and 2008, the Group capitalised borrowing costs for leasehold improvements in the amount of $166 and $757, using the capitalization rate from 8.80% to 15.00% and 13.71%, respectively.

Start-up Expenses for New Restaurants

Start-up expenses for new restaurants represent costs related to the construction and the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period the related work was performed.

4. Significant Accounting Policies and Estimates (continued)

Employee Benefits

The Company accrues for the employees' compensated absences (vacations) as the additional amount that the Company expects to pay as a result of the unused vacation that has accumulated at the reporting date.

Under provision of the Russian legislation, social contributions are made through a unified social tax ("UST") calculated by the Group by the application of a regressive rate (from 26% to 2%) to the annual gross remuneration of each employee. The Group allocates the UST to three social funds (state pension fund, social and medical insurance funds), where the rate of contributions to the pension fund varies from 20% to 2% depending on the annual gross salary of each employee. The Group's contributions relating to UST are expensed in the year to which they relate. Total contributions for UST amounted to $11,999 and $16,434 during the years ended December 31, 2009 and 2008, respectively, and they were classified as payroll expenses in these consolidated financial statements.

Loyalty Programmes

Customer loyalty programmes are used by the Group to provide customers with award credits as part of a sales transaction, including awards that can be redeemed for goods and services not supplied by the entity. The Group company collecting the consideration on behalf of the third party measures its revenue as the net amount retained on its own account. The Group company acting as an agent for a third party recognises revenue arising from rendering agency services to that third party as revenue from rendering services.

The Group uses the "Honoured Guest" and "Malina" loyalty programmes to build brand loyalty, retain its valuable customers and increase sales volume. The programmes are designed to reward customers for past purchases and to provide them with incentives to make future purchases. Each time a customer buys meals in one of the Group's restaurants, the Group grants the customer loyalty award credits.

The "Honoured Guest" programme operates in Russian regions and a customer can redeem the award credits as they are granted for free meals. The "Malina" programme operates in Moscow region and a customer using this programme can redeem the award credits as they are granted only for getting goods and services listed in a special catalogue and provided by a programme operator.

Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences at the reporting date using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

4. Significant Accounting Policies and Estimates (continued)

Taxes (continued)

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax is charged or credited to the income statement, except when it relates to items recognised outside profit or loss, in which case the deferred tax is also recognised in the statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxable authority.

Unified Tax on Imputed Income

Certain restaurants of the Group’s subsidiaries located outside the Moscow region with restaurants meeting specified criteria are subject to unified tax on imputed income paid instead of corporate income tax, value added tax, property tax and unified social tax. According to the Russian Tax Code companies engaged in restaurant and catering services are subject to unified tax if a trading area of a restaurant does not exceed 150 square metres. For the years ended December 31, 2009 and 2008, the share of revenues subject to unified tax on imputed income amounted to approximately 15%. Imputed income is calculated as a fixed amount of imputed income per square meter of a trading area specified by the Russian Tax Code and respective regional/local authorities. Unified tax on imputed income is fixed at 15% of imputed income.

The Group recognises the unified tax on imputed income as other general and administrative expenses in its consolidated income statement. For the years ended December 31, 2009 and 2008, the unified tax on imputed income amounted to $447 and $218, respectively.

4. Significant Accounting Policies and Estimates (continued)

Significant Accounting Judgements, Estimates and Assumptions

On an on-going basis, management of the Group evaluates its estimates and assumptions. Management of the Group bases its estimates and assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the Group's consolidated financial statements actual results may vary from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of Lease Agreements

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

Operating Lease Terms

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. When determining the lease term, the Group includes the option periods which relate to its preferential right to renew the lease agreement under the Civil Code of the Russian Federation provided the Group has complied with the lease agreement terms (all other conditions being equal). Preferential right arises if the lessor refused to enter into a lease agreement with the lessee for a new term, but within one year from the date of expiration of the lease agreement with the lessee entered into a lease agreement with a third party. In such case the lessee is entitled to claim through the court the transfer to him of the rights and responsibilities under such an agreement and compensation of damages caused by refusal to renew the lease agreement and/or to claim above damages only. Preferential right does not exist if the lessor decides not to continue leasing the property.

Partnership Agreements

Before 2007, in order to raise capital for the development of its restaurants in the Moscow region, the Group entered into a number of partnership agreements. The Group has determined that, under the terms of the partnership agreements, it maintains full control of the restaurants business while partners gain a share in the profits of the restaurants.

4. Significant Accounting Policies and Estimates (continued)

Significant Accounting Judgements, Estimates and Assumptions (continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful Lives of Property and Equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

Impairment of Non-financial Assets

Generally, the Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, which is determined as the higher of an assets fair value less cost to sell and its value in use. 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 assessment of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, an appropriate valuation model is used. The Group recognised impairment losses for the years ended December 31, 2009 and 2008 in the amount of $1,386 and $5,683, respectively.

Impairment of Goodwill

The Group's impairment test for goodwill is based on value in use calculations for cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group recognised impairment losses for the years ended December 31, 2009 and 2008 in the amount of nil and $452, respectively.

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

Allowance for Impairment of Advances Paid, Taxes Recoverable and Receivables

Management maintains an allowance for impairment for doubtful advances paid and receivables to provide for losses from the inability of suppliers to deliver goods or services for which they received prepayments from the Group, inability of franchisees to settle their debts and unrecoverable taxes. When evaluating the adequacy of an allowance for impairment of advances paid, taxes recoverable and receivables, management bases its estimates on specific analysis of the major outstanding prepayments, taxes recoverable and accounts receivable balances and historical write-off experience. If the financial condition of those suppliers or franchisees were to deteriorate, actual write-offs might be higher than expected. As of December 31, 2009 and 2008, the allowance for impairment of advances paid, taxes recoverable and receivables amounted to $1,596 and $1,242, respectively.

4. Significant Accounting Policies and Estimates (continued)

Significant Accounting Judgements, Estimates and Assumptions (continued)

Allowance for Impairment of Inventory

Management of the Group regularly reviews the need to provide for slow moving or damaged inventory based on monthly aging and inventory turnover report as well as based on physical inventory observation. As of December 31, 2009 and 2008, the allowances for impairment of inventory amounted to $1,323 and $1,190, respectively.

Current Taxes

Russian tax legislation is subject to varying interpretation and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest. The periods remain open to review by the tax authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. During the year ended December 31, 2007 the Group reduced its costs of operations by approximately $800 through the utilisation of certain tax planning strategies. Other possible uncertain tax positions amounted to $3,016 at December 31, 2009. See also Note 29 – Commitments and Contingencies.

Deferred Tax Assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from such estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In such an event, the assessment of future utilisation of deferred tax assets must be reduced and this reduction be recognised in profit or loss.

5. Business combinations

Acquisition of Den' LLC

On June 30, 2008, the Group acquired a 100% ownership interest in Den' LLC ("Den'"), a Russian limited liability company, for cash consideration of $1,479. The main asset of "Den'" was a rent right with a fair value of $945. The acquisition resulted in excess of the purchase price over the fair value of the net assets assumed of $479 (at the exchange rate as of June 30, 2008), which was recorded as goodwill as the Group expected to generate profits using this location to operate a restaurant business. An impairment loss was recognised in the amount of $452 at December 31, 2008 and was allocated fully to goodwill. An impairment loss was a consequence of rent cost reduction and negative future cash flow.

Acquisition of Valderama Investments Limited

On July 5, 2008, the Group acquired a 100% ownership interest in Valderama Investments Limited ("Valderama") from Rostik Investment Group Inc., a related party, for total consideration of $12,220, including valuation cost of $30. Valderama owned 100% participatory interest in AirTrade LLC ("AirTrade") and 75.06% of the share capital of KOP Pulkovo OJSC ("Pulkovo"), the Group's joint ventures. Until the acquisition the Group participated in joint venture agreements with AirTrade and Pulkovo and had 20% interest in jointly controlled entities.

5. Business Combinations (continued)

Acquisition of Valderama Investments Limited (continued)

The financial position and the results of operations of Valderama, AirTrade and Pulkovo were included in the Group's consolidated financial statements beginning July 5, 2008 as the Group effectively exercised control over their operations since that date. In the period from January 1, 2008 to July 5, 2008, the Group accounted for its investment in these joint ventures under the equity method (refer to Note 8).

Identifiable assets, liabilities and contingent liabilities of Valderama, AirTrade and Pulkovo and the resulting goodwill were as follows:

	July 5, 2008
Property and equipment	1,312
Intangible assets	10,284
Inventories	84
Accounts receivable	613
Cash	1,318
Total assets	**13,611**
Non-current liabilities	(1,613)
Deferred income tax liabilities	(2,513)
Current liabilities	(803)
Total liabilities	**(4,929)**
Minority interest related to KOP Pulkovo	**(1,682)**
Net assets	**7,000**
Fair value of net assets attributable to 100% ownership interest	**7,000**
Purchase consideration	**12,250**
Goodwill as of July 5, 2008	**5,250**

In 2008, cash flow on acquisition was as follows:

	2008
Net cash acquired with the subsidiary	1,318
Cash paid	(12,220)
Net cash outflow	**(10,902)**

Valderama's consolidated net profit for the period from July 5, 2008 to December 31, 2008 amounted to $974. If the acquisition of Valderama group had occurred on January 1, 2008, the Group's revenue for the year ended December 31, 2008, would have increased by the amount of $4,177 and the Group's loss for the year ended December 31, 2008, would have decreased by the amount of $714. Estimates of contribution of revenue and profit to the Group are based on unaudited information derived from previous management accounts of Valderama, AirTrade and Pulkovo.

Goodwill

Movements in goodwill arising on the acquisition of subsidiaries were as follows at December 31:

	Gross amount	Impairment losses	Carrying amount
At December 31, 2007	**739**	**–**	**739**
Goodwill recognised on acquisition of subsidiaries	5,702	–	5,702
Impairment	–	(452)	(452)
Translation difference	(1,181)	–	(1,181)
At December 31,2008	**5,260**	**(452)**	**4,808**
Translation difference	(150)	13	(137)
At December 31,2009	**5,110**	**(439)**	**4,671**

5. Business Combinations (continued)

Goodwill (continued)

The Group's goodwill was tested for impairment at the restaurants (cash generating unit) level by comparing values of cash generating units' assets including goodwill to their recoverable amounts. The recoverable amount of cash generating units has been determined based on a value in use calculation using cash flows from financial budgets approved by key management covering the period of useful life of the main asset of each cash generating unit. The cash flow projections were discounted at the Group's cost of financing, 16% and 18% in Russian rouble nominal terms for 2009 and 2008, respectively. The Group's management believes that all of its estimates are reasonable as they are consistent with the internal reporting and reflect management's best estimates.

The result of applying discounted cash flow models reflects expectations about possible variations in the amount and timing of future cash flows and is based on reasonable and supportable assumptions that represent management's best estimate of the range of uncertain economic conditions.

As a result of the assessment, the carrying amount of Den' cash generating unit exceeded its recoverable amount therefore an impairment loss was recognised in the 2008 income statement in the amount of $452. In 2009 there was no additional impairment of goodwill. In regard to the assessment of value-in-use of other cash generating units, management believes that no reasonable change in any of the above assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

6. Intangible Assets

The movement in intangible assets for the year ended December 31, 2008 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Total
Cost					
At December 31, 2007	567	3,539	882	3,801	**8,789**
Additions	319	2,753	27	484	**3,583**
Assets acquired in business combination	–	10,485	–	–	**10,485**
Disposals	–	–	(5)	(5)	**(10)**
Translation difference	(114)	(2,054)	(141)	(675)	**(2,984)**
At December 31, 2008	**772**	**14,723**	**763**	**3,605**	**19,863**
Accumulated Amortisation and Impairment					
At December 31, 2007	(184)	(1,129)	(69)	(302)	**(1,684)**
Charge for the year	(56)	(1,409)	(61)	(808)	**(2,334)**
Disposals	–	–	1	2	**3**
Impairment of intangible assets	–	(1,304)	(731)	–	**(2,035)**
Translation difference	39	531	132	168	**870**
At December 31, 2008	**(201)**	**(3,311)**	**(728)**	**(940)**	**(5,180)**
Net Book Value					
At December 31, 2007	**383**	**2,410**	**813**	**3,499**	**7,105**
At December 31, 2008	**571**	**11,412**	**35**	**2,665**	**14,683**

6. Intangible Assets (continued)

The Group recognised impairment losses from Trademark "El Rincon Espanol" in the amount of $731 and from rent options in Samara LLC and Rosinter Czech Republic s.r.o. in the amount of $872 and $432, respectively, as future benefit from these assets is unlikely to flow to the Group. Impairment losses were identified as a result of the testing at the level of cash generating units. Recognised impairment losses relate to cash generating units with negative projected cash flows. Carrying amount of the assets was written off to the recoverable amount equal to nil.

The movement in intangible assets for the year ended December 31, 2009 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Total
Cost					
At December 31, 2008	772	14,723	763	3,605	**19,863**
Additions	291	364	3	95	**753**
Disposals	–	(836)	–	(10)	**(846)**
Translation difference	(4)	(332)	(1)	(121)	**(458)**
At December 31, 2009	**1,059**	**13,919**	**765**	**3,569**	**19,312**
Accumulated Amortisation and Impairment					
At December 31, 2008	(201)	(3,311)	(728)	(940)	**(5,180)**
Charge for the year	(87)	(2,088)	(4)	(775)	**(2,954)**
Disposals	–	–	–	3	**3**
Impairment of intangible assets	–	(422)	–	–	**(422)**
Translation difference	–	22	–	3	**25**
At December 31, 2009	**(288)**	**(5,799)**	**(732)**	**(1,709)**	**(8,528)**
Net Book Value					
At December 31, 2008	**571**	**11,412**	**35**	**2,665**	**14,683**
At December 31, 2009	**771**	**8,120**	**33**	**1,860**	**10,784**

The group recognised impairment loss from an exclusive rent right in Rosinter Czech Republic s.r.o. In the amount of $422 as future benefit from this asset is unlikely to flow to the Group. Impairment loss was identified as a result of the testing at the level of cash generating units. The recoverable amount of a cash generating unit has been determined based on a value in use calculation using cash flows from financial budgets approved by key management covering the period of useful life of the main asset of each cash generating unit. The cash flow projections were discounted at the group's cost of financing, 16% and 18% in Russian rouble nominal terms for 2009 and 2008, respectively. Recognised impairment loss relates to a cash generating unit with insufficient projected cash flows. The carrying amount of the asset was written off to the recoverable amount equal to nil.

7. Property and Equipment

The movement in property and equipment for the year ended December 31, 2008 was as follows:

	Buildings and leasehold improvements	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2007	68,732	22,962	6,564	5,527	1,093	11,425	**116,303**
Additions	327	4,416	114	558	–	32,153	**37,568**
Assets acquired in business combination	1,091	962	57	63	35	(472)	**1,736**
Assets put into use	22,024	7,380	2,097	2,668	426	(34,595)	**–**
Disposals	(1,734)	(1,716)	(432)	(380)	(137)	(1,711)	**(6,110)**
Translation difference	(14,688)	(4,981)	(1,260)	(993)	(228)	(1,036)	**(23,186)**
At December 31, 2008	**75,752**	**29,023**	**7,140**	**7,443**	**1,189**	**5,764**	**126,311**
Accumulated Depreciation and Impairment							
At December 31, 2007	(24,687)	(5,663)	(3,531)	(1,766)	(283)	–	**(35,930)**
Charge for the year	(6,404)	(1,785)	(1,454)	(674)	(129)	–	**(10,446)**
Disposals	836	610	369	164	80	–	**2,059**
Impairment of property and equipment	(1,753)	(549)	(118)	(300)	–	(928)	**(3,648)**
Translation difference	5,171	1,176	719	339	49	142	**7,596**
At December 31, 2008	**(26,837)**	**(6,211)**	**(4,015)**	**(2,237)**	**(283)**	**(786)**	**(40,369)**
Net Book Value							
At December 31, 2007	**44,045**	**17,299**	**3,033**	**3,761**	**810**	**11,425**	**80,373**
At December 31, 2008	**48,915**	**22,812**	**3,125**	**5,206**	**906**	**4,978**	**85,942**

7. Property and Equipment (continued)

The movement in property and equipment for the year ended December 31, 2009 was as follows:

	Buildings and leasehold improvements	**Restaurant equipment**	**Computer equipment and electronics**	**Office furniture and fixtures**	**Vehicles**	**Assets under construction**	**Total**
Cost							
At December 31, 2008	**75,752**	**29,023**	**7,140**	**7,443**	**1,189**	**5,764**	**126,311**
Additions	570	1,330	29	65	–	8,720	**10,714**
Assets put into use	4,353	1,466	410	592	19	(6,840)	**–**
Disposals	(2,715)	(1,201)	(434)	(272)	(50)	(1,042)	**(5,714)**
Translation difference	(2,628)	(1,373)	(312)	(461)	(52)	(69)	**(4,895)**
At December 31, 2009	**75,332**	**29,245**	**6,833**	**7,367**	**1,106**	**6,533**	**126,416**
Accumulated Depreciation and Impairment							
At December 31, 2008	**(26,837)**	**(6,211)**	**(4,015)**	**(2,237)**	**(283)**	**(786)**	**(40,369)**
Charge for the year	(6,110)	(1,763)	(1,196)	(642)	(101)	–	**(9,812)**
Disposals	1,480	341	357	109	15	–	**2,302**
Impairment of property and equipment	(345)	(185)	(9)	(107)	–	(318)	**(964)**
Translation difference	846	241	119	76	11	7	**1,300**
At December 31, 2009	**(30,966)**	**(7,577)**	**(4,744)**	**(2,801)**	**(358)**	**(1,097)**	**(47,543)**
Net Book Value							
At December 31, 2008	**48,915**	**22,812**	**3,125**	**5,206**	**906**	**4,978**	**85,942**
At December 31, 2009	**44,366**	**21,668**	**2,089**	**4,566**	**748**	**5,436**	**78,873**

7. Property and Equipment (continued)

As of December 31, 2009 and 2008, certain items of property and equipment with a carrying value of $15,171 and $7,718, respectively, were pledged to banks as collateral against loans to the Group.

The Group has several finance lease contracts for motor vehicles and computer equipment. The carrying value of the leased assets as of December 31, 2009 and 2008 amounted to $578 and $931, respectively.

The Group recognised impairment losses of property and equipment for the years ended December 31, 2009 and 2008 in the amount of $964 and $3,648, respectively, as the recoverable amount of these assets was nil at the same dates. Impairment losses were identified as a result of the testing at the level of restaurants (cash generating units). The recoverable amount of a cash generating unit has been determined based on a value in use calculation using cash flows from financial budgets approved by key management covering the period of useful life of the main asset of each cash generating unit. The cash flow projections were discounted at the Group's cost of financing, 16% and 18% in Russian rouble nominal terms for 2009 and 2008, respectively. Recognised impairment losses of property and equipment relate to loss-making restaurants located in Moscow, Novosibirsk, Rostov-on-Don, Krasnoyarsk, Togliatti and Samara.

8. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

	Pulkovo and AirTrade Joint Venture	Costa Joint Venture	Associates	Total
At December 31, 2007	**327**	**1**	**141**	**469**
Investments in joint ventures	39	2,999	–	**3,038**
Share of profit / (loss)	–	(1,317)	38	**(1,279)**
Elimination of participatory interest in joint venture due to acquisition	(366)	–	–	**(366)**
Translation difference	–	(343)	(29)	**(372)**
At December 31, 2008	**–**	**1,340**	**150**	**1,490**
Share of profit / (loss)	–	(563)	25	**(538)**
Translation difference	–	(32)	(3)	**(35)**
At December 31, 2009	**–**	**745**	**172**	**917**

In December 2007, the Group entered into a joint venture agreement with Costa Limited ("Costa") which operates coffee houses in the United Kingdom and other countries. The Group and Costa operate Rosworth Investments Limited and its subsidiary as a joint venture. The Group has 50% interest in Rosworth Investments Limited which started its operating activity in 2008. During 2008, the Group contributed $2,999 to the capital of the joint venture.

8. Investments in Joint Ventures and Associates (continued)

The following table illustrates summarised financial information of the Group's interest in the Costa joint venture at December 31, 2009 and 2008, and for the years then ended:

	2009	2008
Non-current assets	1,167	1,166
Current assets	495	978
	1,662	**2,144**
Non-current liabilities	670	274
Current liabilities	247	530
	917	**804**
Carrying amount of the interest in the joint venture	**745**	**1,340**
Revenue	2,497	681
Cost of sales	(750)	(213)
Selling, general and administrative expenses	(2,676)	(2,013)
Net finance income	443	307
Net operating expenses	(77)	(79)
Loss for the year	**(563)**	**(1,317)**

In July 2008, the Group acquired a 100% ownership interest in Valderama Investments Limited ("Valderama") which holds 100% participatory interest in AirTrade LLC and 75.06% shares in KOP Pulkovo OJSC. The Group eliminated its participatory interest in joint ventures in Pulkovo airport due to the business combination.

9. Inventories

Inventories consisted of the following as of December 31:

	2009	2008
Foods, beverages, liquors and tobacco, at cost	4,783	4,637
Utensils, paper goods and other items, at cost	3,165	3,012
	7,948	**7,649**
Allowance for slow-moving and damaged items	(1,323)	(1,190)
Total inventories, net	**6,625**	**6,459**

10. Advances Paid

Advances paid consisted of the following as of December 31:

	2009	2008
Advances to suppliers	5,271	6,221
Advances to employees	262	307
	5,533	**6,528**
Allowance for doubtful accounts	(1,082)	(1,070)
Total advances paid, net	**4,451**	**5,458**

10. Advances Paid (continued)

As at December 31, 2009 and 2008, advances to suppliers at nominal value of $1,082 and $1,070, respectively, were impaired and fully provided for. Movements in the allowance for impairment of advances paid were as follows:

	2009	2008
At January 1	1,070	1,314
Charge for the year	210	718
Amounts written off	(69)	(452)
Unused amounts reversed	(98)	(304)
Translation difference	(31)	(206)
At December 31	**1,082**	**1,070**

11. Trade and Other Receivables

Receivables consisted of the following as of December 31:

	2009	2008
Trade receivables	2,498	2,906
Other receivables	1,210	761
	3,708	**3,667**
Allowance for doubtful accounts	(514)	(172)
Total receivables, net	**3,194**	**3,495**

Trade and other receivables are non-interest bearing and are generally on 30-90 days terms.

As at December 31, 2009 and 2008, trade and other receivables at nominal value of $514 and $172, respectively, were impaired and fully provided for. Movements in the provision for impairment of trade and other receivables were as follows:

	2009	2008
At January 1	172	226
Charge for the year	403	66
Amounts written off	(19)	(92)
Unused amounts reversed	(27)	(1)
Translation difference	(15)	(27)
At December 31	**514**	**172**

As at December 31, the aging analysis of trade and other receivables is presented below:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**<3 months**	**3-6 months**	**>6 months**
Trade receivables	2,201	1,011	505	216	469
Other receivables	993	285	187	145	376
2009	**3,194**	**1,296**	**692**	**361**	**845**
Trade receivables	2,858	1,494	1,115	174	75
Other receivables	637	228	295	44	70
2008	**3,495**	**1,722**	**1,410**	**218**	**145**

12. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of December 31:

	2009	2008
Cash at bank	2,172	4,205
Cash in hand	663	533
Cash in transit	620	909
Short-term deposits	290	287
Total cash and cash equivalents	**3,745**	**5,934**

13. Share Capital

Share Capital and Share Premium

The Company was established as the result of a reorganization of entities under control of the Parent company, RIG Restaurants Limited. The Company was established as an open joint stock company in accordance with the legislation of the Russian Federation on May 24, 2004. At that time, the Company issued 10,000,000 common shares with a par value of 247 Russian roubles per share (8.52 US dollars per share at the exchange rate as of May 24, 2004).

On June 1, 2007, the Company issued and sold 2,030,457 new shares with a nominal value of 169.7 Russian roubles per share ($6.55 at the transaction date exchange rate) to the Parent at the price of $29.55 for the total amount of $60,000 (refer to Note 1). The excess of cash consideration over nominal value of shares issued was recognised as share premium. On December 27, 2007, the Group bought back 146,970 shares from the Parent at a price of $58.57 for the amount of $8,608. These shares were accounted for as treasury shares. The authorized and issued share capital of the Company as of December 31, 2009 and 2008 comprised 12,030,457 shares. All issued shares were fully paid.

As of December 31, 2009 and 2008, the outstanding share capital comprised of 11,883,487 shares.

Earnings per Share

Earnings per share were calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2009	2008
Net loss attributable to equity holders of the Company	(8,254)	(15,190)
Weighted average number of ordinary shares outstanding	11,883,487	11,883,487
Losses per share attributable to equity holders of the Company, basic and diluted (US dollars)	**(0.69)**	**(1.28)**

The Company has no potentially dilutive ordinary shares; therefore, the diluted losses per share equal basic losses per share.

14. Purchase of Non-controlling Interest in a Subsidiary

On May 12, 2009, the Group acquired 49% of the share capital and settled certain accounts payables of Rosinter Restaurants Samara CJSC, the Group's subsidiary, for cash consideration of 156,200,000 Russian roubles ($4,780 at the exchange rate at the date of transaction). The net assets of Rosinter Restaurants Samara were negative at the date of acquisition. The acquisition resulted in excess of the purchase price over the book value of non-controlling interest of $4,176, which was recognised directly in equity.

15. Liabilities to Partners

The movements in liabilities to partners were as follows during the years ended December 31:

	2009	2008
At January 1	9,525	14,078
Increase in amounts due to partners *(Note 27)*	356	2,321
Payments to partners	(2,090)	(6,685)
Capital contributed by partners in cash	114	1,706
Payments to acquire interest in subsidiaries	–	(199)
Other non-cash settlements	(82)	(839)
Translation difference	(277)	(857)
At December 31	**7,546**	**9,525**

Analysed as to:

	2009	2008
Current portion	3,397	4,338
Long-term portion	4,149	5,187
Total liabilities to partners	**7,546**	**9,525**

16. Related Parties Disclosures

In accordance with IAS 24 *Related Party Disclosures* parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Short-term loans receivable from related parties consisted of the following as of December 31:

		Short-term loans receivable from related parties	
Related Parties	**Nature of relationship**	**2009**	**2008**
Rostik Investment Group Inc. (1)	Entity under common control (EUCC)	2,273	2,340
Other EUCC (2)		86	362
Total short-term loans receivable from /payable to related parties		**2,359**	**2,702**

(1) On December 24, 2007, the Group provided Rostik Investment Group Inc. with an unsecured rouble denominated loan in the total amount of $2,340 (at the exchange rate as of December 31, 2008), bearing interest of 14% per annum and maturing on December 25, 2009. In December 2009, the loan agreement was renewed with the same interest rate and due date of August 31, 2010.

(2) During 2009, the Group wrote off a short-term loan and interest receivable from Rosinter Restaurants OU (Estonia) in the total amount of $323.

The interest rate for the loans given to the other EUCC varies from nil to 14% per annum.

16. Related Parties Disclosures (continued)

Long-term loans receivable from/payable to related parties consisted of the following as of December 31:

Related Parties	Nature of relationship	Long-term loans receivable from related parties 2009	2008	Long-term loans payable to related parties 2009	2008
Hodler Finance S.A. (3)	EUCC	4,000	–	–	–
Rosworth Investments Limited (4)	Joint venture	753	285	–	–
Other EUCC (5)		–	590	814	814
Total long-term loans receivable from/ payable to related parties		**4,753**	**875**	**814**	**814**

(3) On December 10, 2007, the Group issued a rouble-denominated unsecured loan to Hodler Finance S.A. for $9,166 (at the exchange rate as of December 31, 2007), bearing interest of 12% per annum and maturing on June 10, 2008. During the year ended December 31, 2008, the loan was fully repaid.

In November 2009, the Group issued two unsecured loans to Hodler Finance S.A. in the amounts of $3,000 and $1,000 bearing interest of 12.05% and 8.78% per annum, respectively, and maturing in 2012. Such loans correspond to 36.4% portion of the credit lines obtained by the Group from Raiffeisenbank and Credit Europe Bank where related parties provided real estate as supplementary collateral.

(4) In 2009, Group issued additional tranches of an interest free loan to Rosworth Investments Limited maturing in 2017. The nominal amount of the loan of $1,474 and $600 as at December 31, 2009 and 2008, respectively, was discounted using a market rate of 12% per annum.

(5) During 2009, the Group impaired a long-term loan and interest receivable from Rosinter Restaurants GmbH (Austria) in the amount of $799.

The interest rate for the loans received from the other EUCC varies from 1% to 13% per annum.

Long-term receivables from related party consisted of receivables from Rostik Investment Group Inc. for management and financial advisory services provided by the Group in accordance with a consultancy agreement signed in 2007. In January 2008, the Group entered into an addendum in which the parties agreed that the arrangement must be settled not later than December 31, 2011. The Group discounted the nominal amount of $1,574 at a market rate of 12% per annum. The outstanding balance at amortised cost was $1,255 and $1,120 as at December 31, 2009 and 2008, respectively.

Long-term advances to related party consisted of payments to CJSC Preobrazhenie for non-controlling shares in the Group's subsidiaries in Omsk in the amount of $5,470 at the exchange rate as of December 31, 2009 and for non-controlling shares in the Group's subsidiaries in Samara and Omsk in the amount of $4,627 and $3,506 at the exchange rate as of December 31, 2008.

Short-term receivable from / payable to related parties consisted of the following as of December 31:

Related Parties	Nature of relationship	Receivables from related parties 2009	2008	Payables to related parties 2009	2008
Rostik Investment Group Inc. (6)	EUCC	641	332	125	83
Perm Caramel Restaurants LLC (7)	EUCC	306	314	–	–
RIG Restaurants Limited (8)	Parent company	259	263	–	–
Tumen Caramel Restaurants LLC (7)	EUCC	208	214	–	–
National QSR Network LLC (9)	EUCC	292	1	–	122
Brava LLC (10)	Joint venture	114	294	32	–
Loyalty Partners Vostok LLC (11)	Other related party	–	–	713	1,257
Other EUCC		637	687	607	483
Total receivable from / payable to related parties		**2,457**	**2,105**	**1,477**	**1,945**

16. Related Parties Disclosures (continued)

(6) The outstanding receivable balance as of December 31, 2009 and 2008, represents management and financial advisory services provided by the Group to Rostik Investment Group Inc.

The outstanding payable balance as of December 31, 2009 and 2008, comprises rent payable and interest payable.

(7) The outstanding receivable balances as of December 31, 2009 and 2008, relate to non-current assets of Rostik's-KFC outlets sold by the Group to regional Rostik's companies Perm Caramel Restaurants LLC and Tumen Caramel Restaurants LLC.

(8) The outstanding receivable balance at December 31, 2009 and 2008, results from operating expenses and IPO expenses paid by the Group on behalf of RIG Restaurants Limited.

(9) The outstanding balances at December 31, 2009 and 2008, represent management, consulting and accounting services provided by the Group to National QSR Network LLC.

(10) The outstanding receivable balance as of December 31, 2009 and 2008, represents catering, management and other services provided in accordance with agreements between the Group and Brava LLC, the Russian subsidiary of the Group's joint venture with Costa Limited.

(11) The outstanding payable balance to Loyalty Partners Vostok LLC represents services related to the "Malina" customer loyalty program provided to the Group. The ultimate controlling shareholder holds director position in Loyalty Partners Vostok LLC.

As at December 31, the aging analysis of receivables from related parties is presented below:

	Total	Neither past due nor impaired	Past due but not impaired		
			<3 months	3-6 months	>6 months
2009	**2,457**	1,876	291	20	270
2008	**2,105**	1,540	55	19	491

Transactions with related parties were as follows for the year ended December 31, 2008:

Related Parties	Nature of relationship	Revenue and other gains 2008	Purchases 2008	Interest income 2008	Interest expense 2008
National QSR Network LLC (12)	EUCC	1,806	50	361	–
Omsk QSR Network LLC (13)	EUCC	1,360	–	–	–
Russian Caramel Restaurants LLC (14)	EUCC	716	–	–	–
Brava LLC (15)	Joint venture	399	3	–	–
RosCorp LLC (16)	EUCC	172	3,422	1	–
Rostik Aero LLC (17)	EUCC	10	305	–	–
Rostik Investment Group Inc. (1, 6)	EUCC	3	511	404	454
Hodler Finance S.A. (3)	EUCC	14	–	482	–
Other EUCC		1,643	1,387	90	315
Total		**6,123**	**5,678**	**1,338**	**769**

16. Related Parties Disclosures (continued)

Transactions with related parties were as follows for the year ended December 31, 2009:

Related Parties	Nature of relationship	Revenue and other gains 2009	Purchases 2009	Interest income 2009	Interest expense 2009
National QSR Network LLC (11)	EUCC	801	–	–	–
Omsk QSR Network LLC (12)	EUCC	749	–	–	–
Russian Caramel Restaurants LLC (13)	EUCC	583	–	–	–
Brava LLC (14)	Joint venture	383	49	–	–
RosCorp LLC (15)	EUCC	83	4,311	–	–
Rostik Aero LLC (16)	EUCC	10	539	–	–
Rostik Investment Group Inc. (1, 5)	EUCC	–	703	438	–
Hodler Finance S.A. (3)		–	–	71	–
Rosworth Investments Limited (4)		–	–	–	415
Other EUCC		821	1,014	26	98
Total		**3,430**	**6,616**	**535**	**513**

(12) During 2009 and 2008, the Group rendered management, consulting and accounting services to National QSR Network LLC.

(13) During 2009 and 2008, the Group rendered management, consulting and accounting services and sold semi-finished product to Omsk QSR Network LLC.

(14) During 2009 and 2008, the Group rendered rent, management and accounting services to Russian Caramel Restaurants LLC.

(15) During 2009 and 2008, the Group rendered catering, management and other services to Brava LLC.

(16) During 2009 and 2008, the Group purchased rent, transport and utility services from RosCorp LLC.

(17) During 2009 and 2008, Rostik Aero LLC provided the Group with premises for fees.

Compensation to Key Management Personnel

Key management personnel totalled 12 and 16 persons as at December 31, 2009 and 2008, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	2009	2008
Salary	2,335	3,288
Performance bonuses	–	144
	2,335	**3,432**

The Group's contributions relating to social taxes for key management personnel amounted to $96 and $144 during the years ended December 31, 2009 and 2008, respectively.

17. Long-Term Debt

Long-term debt, at amortised cost, consisted of the following as of December 31:

	2009	2008
Savings Bank of the Russian Federation (Sberbank)	27,489	–
Credit Europe Bank	6,000	–
Bonds issued, net of issuance cost	3,931	33,974
Raiffeisenbank	1,711	–
Titul LLC	1,157	–
Garant Invest	700	–
Barclays (Expobank)	–	3,676
Other long-term debts	213	331
	41,201	**37,981**
Less: current portion	(7,103)	(34,293)
Total long-term debt	**34,098**	**3,688**

Sberbank

On June 3, 2009, the Group entered into a new loan agreement with Sberbank in the amount of 950 million Russian roubles ($31,411 at the exchange rate at December 31, 2009) bearing interest of 18.50% per annum and maturing in June 2012, to cover repayments of bonds in accordance with the early redemption options. The Group has provided Sberbank with a security against this loan which consists of trade marks with a net book value of $16 and pledged value of $19,456 (at the exchange rate at December 31, 2009), fixed assets of the regional companies with a net book value of $6,446 and pledged value of $18,387 (at the exchange rate at June 3, 2009), more than 50% of the shares of the companies whose fixed assets have been used as collateral against this loan, 99% of the shares of Moscow company Rosinter Restaurants LLC and 25% plus 1 share of the public company Rosinter Restaurants Holding. The unutilised balance of the loan amounted to $3,922 as of December 31, 2009.

Credit Europe Bank

In November 2009, the Group entered into a credit facility agreement in the amount of $6,000 bearing interest of 12.00% per annum and maturing in November 2012. The credit facility is secured by a guarantee of VAKO LLC, a related party. The debt was fully repaid in March 2010.

Bonds

In December 2005, Rosinter Restaurants LLC, a Group company, issued 1,000,000 non-convertible bonds with a face value of 1,000 Russian roubles each in an aggregated principal amount of 1,000 million Russian roubles. The bonds have 10 coupons payable semi-annually with variable interest rates declared by the Group. The interest rate for the three coupon periods ended May 2008 was 10.75%. The interest rate for two coupon periods ending May 2009 was 12.00%. The interest rate for two coupon periods ending May 2010 is 18.00%. During 2009, most bondholders exercised their early redemption option. The outstanding balance at December 31, 2009 and 2008 represented 118,923 bonds in the amount of $3,931 (at the exchange rate at December 31, 2009) and 1,000,000 bonds in the amount of $34,036 (at the exchange rate at December 31, 2008). The bonds will mature on November 26, 2010. The bondholders have an early redemption option exercisable in May 2010. At December 31, 2009, the bonds were reclassified to short-term debt.

17. Long-Term Debt (continued)

Raiffeisenbank

In November 2009, the Group entered into a credit facility agreement in the amount of $5,000 bearing interest of LIBOR plus 8.50% per annum and maturing in May 2012. The credit facility is secured by a guarantee of “Institut Stekla” OJSC, a related party. The unutilized balance of the credit facility amounted to $3,289 as of December 31, 2009.

Titul LLC

In July 2009, the Group entered into a loan agreement in the amount of 35 million Russian roubles bearing interest of 15.00% per annum and maturing in July 2015. The credit facility is secured by a guarantee of RIG Restaurants Limited, the Parent. The debt was fully repaid in April 2010.

Garant Invest

In February 2009, the Group entered into a credit facility agreement in the amount of $800 bearing interest of 15.00% per annum and maturing in July 2011. In November 2009, the Group repaid the amount of $100. The debt was fully repaid in March 2010.

Barclays (Expobank)

In July 2008, the Group assumed a liability under a credit facility through the business combination in the amount of 108 million Russian roubles ($3,676 at the exchange rate at December 31, 2008) bearing interest of 12.00% per annum and maturing in January 2010. The credit facility was fully repaid in 2009.

18. Finance Lease Liabilities

The Group has several finance lease agreements for motor vehicles and computer equipment. The leased assets under these agreements are included in property and equipment in the consolidated statements of financial position in the amount of $578 and $931 as of December 31, 2009 and 2008, respectively. Depreciation of property and equipment under the finance lease contracts for 2009 and 2008 amounted to $242 and $308, respectively. Finance charges for the year ended December 31, 2009 and 2008 amounted to $68 and $160, respectively, and are included in interest expense in the consolidated statement of income.

Future minimum lease payments together with the present value of the net minimum lease payments were as follows at December 31:

	2009		2008	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	167	144	444	369
After one year but not more than five years	12	12	168	143
Total minimum lease payment	**179**	**156**	**612**	**512**
Less amounts representing finance charges	(23)	–	(100)	–
Present value of minimum lease payments	**156**	**156**	**512**	**512**

In the year ended December 31, 2009, the interest rate varied from 9.28% to 11.83%. In the year ended December 31, 2008, the interest rate varied from 9.28% to 24.00%.

19. Income Tax

The Group's provision for income tax for the years ended December 31 is as follows:

	2009	2008
Current tax	(5,002)	(5,050)
Deferred tax	(1,223)	2,097
Total income tax expense	**(6,225)**	**(2,953)**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2009:

	December 31, 2008	Differences recognition and reversal	Translation difference	December 31, 2009
Tax effect of deductible temporary differences				
Trade and other payables	1,379	(72)	(45)	1,262
Allowance for impairment of receivables and inventory	250	26	(30)	246
Carryforward of unused tax losses	2,686	(1,461)	(147)	1,078
Other	20	86	9	115
Total deferred tax asset:	**4,335**	**(1,421)**	**(213)**	**2,701**
Tax effect of taxable temporary differences				
Property and equipment	(2,402)	183	39	(2,180)
Trade and other receivables	(28)	(2)	(6)	(36)
Other	(297)	17	(90)	(370)
Total deferred tax liability:	**(2,727)**	**198**	**(57)**	**(2,586)**
Net deferred tax asset / (liability)	**1,608**	**(1,223)**	**(270)**	**115**

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2008:

	December 31, 2007	Differences recognition and reversal	Effect of tax rate reduction	Deferred tax acquired in business combination	Translation difference	December 31, 2008
Tax effect of deductible temporary differences						
Trade and other payables	2,780	(844)	(276)	–	(281)	1,379
Allowance for impairment of receivables and inventory	398	(69)	(50)	–	(29)	250
Carryforward of unused tax losses	511	3,365	(537)	–	(653)	2,686
Other	205	(178)	(4)	–	(3)	20
Total deferred tax asset:	**3,894**	**2,274**	**(867)**	**–**	**(966)**	**4,335**
Tax effect of taxable temporary differences						
Property and equipment	(1,266)	223	480	(2,467)	628	(2,402)
Trade and other receivables	(321)	277	6	–	10	(28)
Other	(5)	(355)	59	(55)	59	(297)
Total deferred tax liability:	**(1,592)**	**145**	**545**	**(2,522)**	**697**	**(2,727)**
Net deferred tax asset / (liability)	**2,302**	**2,419**	**(322)**	**(2,522)**	**(269)**	**1,608**

19. Income Tax (continued)

The recognition and reversal of temporary differences, as presented in the tables above, primarily relates to the depreciation of property and equipment in excess of the depreciation for tax purposes, accrued liabilities, tax losses available for carry forward and provisions to write inventory down to net realisable value.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised aggregate to $568 and $901 as of December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the Group recognised a deferred tax liability for the temporary differences associated with profit distribution in the amount of $113 and $449, respectively.

As of December 31, 2009 and 2008, several Company's subsidiaries had accumulated tax losses in the amount of $5,390 and $13,430, for which a deferred tax asset of $1,078 and $2,686, respectively, was recognised. Management expects that these tax losses will be used against future taxable income. This deferred tax asset may be utilised within 8-10 years.

As of December 31, 2009 and 2008, several Company's subsidiaries had tax losses in the amount of $7,540 and $6,300, respectively, that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. However, these losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time. The subsidiary has no taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets profit would increase by $1,438.

The statutory tax rate effective in the Russian Federation, the location of the majority of the Group's entities, was 24% in 2008. The statutory tax rate was reduced to 20% in 2009. Deferred tax assets and liabilities at December 31, 2008, were calculated using 20% tax rate. The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the net profit before income tax.

Below is a reconciliation of theoretical income tax at statutory income tax rates to the actual expense recorded in the Group's income statement:

	2009	2008
Loss before income tax	(2,208)	(12,253)
At Russian statutory income tax rate	442	2,940
Effect of differences in tax rates in countries other than the Russian Federation	221	2,412
Adjustment in respect of income tax of previous years	572	407
Tax on dividend income related to dividend declared by subsidiaries	(857)	(1,175)
Loss subject to unified tax on imputed income	(364)	(808)
Reduction in deferred taxes closing balance resulting from reduction in tax rate	–	(322)
Deferred tax benefit/(expense) recognised for profit distribution	336	(449)
Effect of non-deductible expenses	(3,130)	(4,129)
Effect of tax losses for which deferred tax assets were not recognised and other non-temporary differences	(3,445)	(1,829)
Income tax expense reported in the consolidated income statement	**(6,225)**	**(2,953)**

20. Trade and Other Payables

Trade and other payables consisted of the following as of December 31:

	2009	2008
Trade creditors	18,120	13,595
Output VAT and other taxes payable	10,527	7,244
Accrued salaries	8,718	6,912
Advances received	1,746	1,597
Interest payable to banks	296	479
Other liabilities	7,358	6,672
Total trade and other payables	**46,765**	**36,499**

21. Short-Term Debt

Short-term debt consisted of the following as of December 31:

	2009	2008
Sberbank	14,879	18,719
MDM Bank	6,250	7,500
Bank Societe General Vostok (BSGV)	5,000	5,000
Alfa Bank	3,968	–
Credit Bank of Moscow	1,450	–
Amsterdam TB	–	8,400
Credit Europe Bank	–	5,000
Other	–	102
	31,547	**44,721**
Current portion of long-term loans *(Note 17)*	7,103	34,293
Total short-term debt	**38,650**	**79,014**

Sberbank

In 2008, the Group entered into a number of credit facility agreements within the limit of the General Agreement in the total amount of 450 million Russian roubles ($15,316 at the exchange rate at December 31, 2008) bearing interest of 12.25% per annum and maturing from February to May 2009. During 2009, the credit facility agreements were renewed within the same limit bearing interest from 16.25% to 17.75% per annum and maturing from February to May 2010. In April 2010, the credit facility agreements were renewed within the same limit bearing interest from 10.75% to 11.50% per annum and maturing in February 2011.The credit facilities are secured by a pledge of restaurant equipment in Moscow with a carrying value of $8,725. The credit facilities were fully utilised at December 31, 2009 and 2008.

In April 2008, the Group entered into a credit facility agreement in the amount of 100 million Russian roubles ($3,403 at the exchange rate at December 31, 2008) bearing interest of 12.75% per annum and maturing in October 2009. The credit facility was fully repaid in 2009.

MDM Bank

In September 2008, the Group entered into an unsecured loan agreement in the amount of $7,500 bearing interest of 13.50% per annum and maturing in March 2009. In June 2009, the Group renewed the loan agreement for the amount of $6,500 bearing interest of 16.00% per annum and maturing in December 2010. In March 2010, the debt was fully repaid.

21. Short-Term Debt (continued)

BSGV

In July 2008, the Group entered into a revolving credit facility agreement in the amount of $5,000 bearing interest from 6.80% to 8.00% per annum and maturing in January 2010. The credit facility was fully utilised at December 31, 2009 and 2008. In 2010, the credit facility agreement was renewed within the same limit bearing interest of 6.40% per annum and maturing in October 2010.

Alfa Bank

In December 2009, the Group entered into a revolving credit facility agreements in the amount of 120 million Russian roubles ($3,968 at the exchange rate at December 31, 2009) bearing interest of 14.35% per annum and maturing in June 2010. The credit facility was fully utilised at December 31, 2009. The debt was fully repaid in April 2010.

Credit Bank of Moscow

In 2009, the Group entered into a number of loan agreements in the total amount of 91 million Russian roubles ($3,009 at the exchange rate at December 31, 2009) bearing interest of 20.00% per annum and maturing in 2010. In 2009, the Group partially repaid the debt. In 2010, the debt was fully repaid.

Amsterdam TB

In August 2006, the Group entered into a credit facility agreement amounting to $4,000 bearing interest of LIBOR plus 3.70% per annum and maturing in August 2009. The loan agreement contained covenants which limit the indebtedness of Rosinter Restaurants LLC, a Group entity. In July 2008, the credit facility was renewed with the amount of $8,400, interest rate of 10.0% per annum and due date of July 16, 2009. In 2009, the debt was fully repaid.

Credit Europe Bank

In March 2008, the Group entered into a revolving credit facility agreement in the amount of $5,000 bearing interest of 9.00% per annum and maturing in September 2008. In September 2008, the credit facility was renewed with the interest rate of 14.00% and due date of March 31, 2009. The debt was fully repaid in March 2009.

22. Revenue

Revenue for the years ended December 31 consisted of the following

	2009	2008
Revenue from restaurants	239,285	302,079
Revenue from canteens	8,363	12,206
Franchise revenue	6,011	8,730
Sublease services and other services	5,103	5,267
Sales of semi-finished products to franchisees	2,561	3,984
Other services	1,655	4,128
Total revenue	**262,978**	**336,394**

23. Cost of Sales

The following expenses were included in cost of sales for the years ended December 31:

	2009	2008
Food and beverages	60,530	82,387
Payroll and related taxes	53,838	69,416
Rent	41,415	40,677
Restaurant equipment depreciation	10,706	10,149
Utilities	8,951	8,617
Laundry and sanitary control	3,911	4,726
Materials	3,734	6,042
Maintenance and repair services	3,259	4,576
Other services	2,889	4,612
Franchising fee	1,584	1,742
Transportation services	1,409	2,456
Other expenses	715	1,651
Total cost of sales	**192,941**	**237,051**

24. Selling, General and Administrative Expenses

The following expenses were included in selling, general and administrative expenses for the years ended December 31:

	2009	2008
Payroll and related taxes	24,013	31,614
Rent	6,919	6,848
Advertising	4,847	10,415
Other services	2,812	4,504
Depreciation and amortization	2,060	2,631
Financial and legal services	1,406	1,858
Bank services	1,059	1,109
Utilities	945	1,259
Transportation services	771	264
Materials	748	1,267
Maintenance and repair services	724	881
Laundry and sanitary control	561	927
Other expenses	3,498	4,434
Total selling, general and administrative expenses	**50,363**	**68,011**

25. Rent Expenses

The following rent expenses were included in cost of sales and selling, general and administrative expenses for the years ended December 31:

	2009	2008
Rent premises minimum lease payment	46,924	44,521
Rent premises contingent lease payment	1,410	3,004
Total rent expenses	**48,334**	**47,525**

26. Other (Gains)/Losses

Gains and losses for the years ended December 31 consisted of the following:

	2009	2008
Other gains	1,059	1,969
Total other gains	**1,059**	**1,969**
Loss on disposal of non-current assets	3,030	2,957
Other losses	2,904	4,598
Total other losses	**5,934**	**7,555**

Other gains primarily related to insurance claims, accounts payable balances write off and other miscellaneous gains.

Other losses mainly resulted from the closure of certain restaurants and other one-off expenses.

27. Financial (Income)/Expenses

The following (income)/expenses were included in financial (income)/expenses for the years ended December 31:

	2009	2008
Interest income	670	1,583
Total financial income	**670**	**1,583**

	2009	2008
Interest expense	10,622	9,715
Increase in amounts due to partners *(Note 15)*	356	2,321
Total financial expenses	**10,978**	**12,036**

28. Losses from impairment of assets

Losses from impairment of assets for the years ended December 31 consisted of the following:

	2009	2008
Loss from impairment of property and equipment *(Note 7)*	964	3,648
Loss from impairment of intangible assets *(Note 6)*	422	2,035
Loss from impairment of goodwill *(Note 5)*	–	452
Total losses from impairment of assets	**1,386**	**6,135**

29. Commitments and Contingencies

Operating Environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position or operating results.

Russian Federation Tax and Regulatory Environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may now be challenged. As such, additional taxes, fines, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. However, the tax regime in Russia following the recent cases has become even less predictable.

The Group utilised certain tax planning strategies providing tax savings to the Group that reduced its costs of operations in 2006 (refer to Note 4 - Estimation Uncertainty). Management have substantially eliminated these tax planning strategies with effect from December 31, 2006. While management believes that its interpretation of the relevant legislation is appropriate, these tax planning strategies may be challenged by the Russian tax authorities. Thus, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued as of December 31, 2007. The amount of possible liabilities that could be incurred in the event that the tax authorities challenge the Group's position on certain tax matters and certain tax practices at December 31, 2007 could include the amount of the aforementioned tax savings, and fines, penalties and interest assessed, if any. As of December 31, 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is likely that the Group's tax position will be sustained.

29. Commitments and Contingencies (continued)

Operating Lease Commitments

The Group has entered into a number of commercial lease agreements for its restaurants' premises. The nominal amount of minimum rental payables under the non-cancellable leases at December 31 was as follows:

	2009	2008
Within one year	38,967	39,703
After one year but not more than five years	96,482	112,318
More than five years	34,261	42,326
Total minimum rental payables:	**169,710**	**194,347**

30. Financial Risk Management Objectives and Policies

Financial instruments carried on the statement of financial position comprise loans given, finance lease liabilities, trade and other payables, bank loans, bonds and liabilities to partners. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables and cash and short-term deposits, which arise directly from its operations.

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations include those related to market movements in interest rates, foreign exchange rates, credit risk and liquidity risk. The Group's risk management policies in relation to these risks are summarised below.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term credit facilities. The majority of interest rates on long-term credit facilities of the Group are fixed and these are disclosed in Note 17.

The Group has no significant exposure to interest rate risk since the majority of its loans and bonds have a clearly defined stable interest rate, other than short-term credit facilities which expose the Group to the risk of refinancing at different interest rates (refer to Note 21). The Group does not hedge its interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk primarily related to its US dollar denominated intercompany balances and external debts of its Russian subsidiaries.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Group does not have formal arrangements to mitigate its currency risk.

The Group has no significant exposure to foreign currency risk since the majority of its US dollar denominated loans are short-term credit facilities (refer to Notes 17, 21). The Group does not hedge its foreign currency risk.

30. Financial Risk Management Objectives and Policies (continued)

Foreign Currency Risk (continued)

The table below shows the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax:

As at 31 December 2009	Increase/(decrease) of local currency to US dollar	Effect on profit before tax – gain /(loss)
US dollar/Russian rouble	14.8%	(537)
US dollar/Russian rouble	(14.8%)	537
US dollar/Kazakhstani Tenge	19.5%	482
US dollar/Kazakhstani Tenge	(19.5%)	(482)
US dollar/Ukrainian Hryvnia	31.3%	869
US dollar/Ukrainian Hryvnia	(31.3%)	(869)
Russian rouble/Ukrainian Hryvnia	33.3%	255
Russian rouble/Ukrainian Hryvnia	(33.3%)	(255)

As at 31 December 2008	Increase/(decrease) of local currency to US dollar	Effect on profit before tax – gain /(loss)
US dollar/Russian rouble	(13.8%)	(237)
US dollar/Russian rouble	(31.8%)	(546)
US dollar/Kazakhstani Tenge	(16.8%)	(460)
US dollar/Kazakhstani Tenge	(29.8%)	(816)
US dollar/Ukrainian Hryvnia	33.8%	1,734
US dollar/Ukrainian Hryvnia	(33.8%)	(1,734)

Credit Risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group’s credit risk is primarily attributed to loans due from related parties and receivables. The carrying amount of loans due from related parties and receivables, net of allowance for impairment, represents the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The Group deposits available cash with several Russian banks. Deposit insurance is not offered to banks operating in Russia. To manage the credit risk, the Group allocates its available cash to a variety of Russian banks and management periodically reviews the credit worthiness of the banks in which such deposits are held.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of financial assets and projected cash flows from operations.

30. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The tables below summarise the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at December 31, 2009 and 2008 based on contractual undiscounted payments.

December 31, 2009	Less than 3 months	3-12 months	1 to 5 years	Total
Long-term and short-term debt	16,996	30,350	42,086	**89,432**
Long-term and short-term debt due to related parties	–	98	1,010	**1,108**
Trade and other payables and income tax payable	47,820	1,676	–	**49,496**
Payables to related parties	1,420	11	46	**1,477**
Liabilities to partners	–	3,397	4,149	**7,546**
Finance leases	53	114	12	**179**
Total	**66,289**	**35,646**	**47,303**	**149,238**

December 31, 2008	Less than 3 months	3-12 months	1 to 5 years	Total
Long-term and short-term debt	21,433	67,395	7,414	**96,242**
Long-term and short-term debt due to related parties	–	98	1,205	**1,303**
Trade and other payables and income tax payable	37,689	64	–	**37,753**
Payables to related parties	1,869	76	–	**1,945**
Liabilities to partners	–	4,338	5,187	**9,525**
Finance leases	131	313	168	**612**
Total	**61,122**	**72,284**	**13,974**	**147,380**

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies or processes during the years ended December 31, 2009 and 2008.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using primarily a leverage ratio, which is net debt divided by EBITDA. The Group's policy is to keep the leverage ratio well below the covenant ratios specified in its debt facility agreements. The Group includes within net debt loans and other forms of borrowings, including finance leases, less cash and short-term deposits.

30. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments

Fair values of cash and cash equivalents, receivables, trade and other payables and short-term debts approximate their carrying amounts due to their short maturity. The fair value of long-term financial instruments denominated in Russian roubles has been calculated by discounting the expected future cash flows at interest rates of 16% and 17% in 2009 and 2008, respectively. The fair value of long-term financial instruments denominated in US dollars has been calculated by discounting the expected future cash flows at interest rate of 12% in 2009 and 2008:

	Carrying amount		Fair value	
	2009	**2008**	**2009**	**2008**
Assets measured at fair value				
Long-term loans due from related parties	4,753	875	4,797	861
Long-term receivables due from related parties	1,255	1,120	1,255	1,120
Liabilities measured at fair value				
Long-term debt	34,098	3,688	34,853	3,505
Long-term debt due to related parties	814	814	814	814
Current portion of long-term debt	7,103	34,293	7,103	34,122

31. Subsequent Events

On February 17, 2010, the Group announced a secondary offering (the "Offering") of the Company's ordinary shares to be completed in two steps.

In the first step of the offering, RIG Restaurants Limited, the Parent, placed 2,619,048 shares of the Company at $10.5 per share for a total offer size of $27,500, before fees and expenses. The Parent will use all of its net proceeds from the Offering to subscribe and pay for new shares of the Company. In March 2010, the Group received from the Parent a bridge loan in the amount of $26,196 bearing interest of 14.10% per annum and maturing in March 2011.

The second step of the Offering is an open subscription under Russian Law for up to 4,274,877 new shares at an offer price of $10.5 per share which was approved on April 1, 2010 by the General Meeting of Shareholder and has been submitted on April 12, 2010 to Federal Service for Financial Markets (FSFM) for approval. Assuming all of the new shares offered in the open subscription are issued, the new shares will represent approximately 26.2% of the Company's enlarged share capital.

On March 9, 2010, during the first step of the secondary offering the Group bought back 400,000 shares from the Parent at a price of $10.50 for the amount of $4,200. These shares will be accounted for as treasury shares and will be used to hedge future share-based compensation programmes for management.