OJSC Dixy Group

International Financial Reporting Standards

Consolidated Financial Statements and Auditors' Report

For the year ended 31 December 2009

OJSC Dixy Group

International financial reporting standards

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For the year ended 31 December 2009

Contents

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Independent auditors' report

To the Board of Directors of OJSC Dixy Group

We have audited the accompanying financial statements of OJSC Dixy Group and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement cash flow 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 financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 financial statements based on our audit. We conducted our audit 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 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 of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

28 April 2010

OJSC Dixy Group

Consolidated statement of financial position at 31 December 2009

(in thousands Russian roubles, unless otherwise indicated)

	Note	2009	2008
Assets			
Non-current assets			
Property, plant and equipment	5	12,740,752	12,067,845
Capital advances		526,539	981,505
Goodwill	6	404,603	404,603
Other intangible assets	7	431,758	727,433
Initial lease costs		287,694	368,943
Loans		17,750	17,876
Trade and other receivables	10	25,804	76,505
Deferred tax asset	21	250,592	161,108
		14,685,492	**14,805,818**
Current assets			
Inventories	9	3,320,969	3,272,828
Trade and other receivables	10	1,401,365	844,942
Taxes recoverable and prepayments	8	939,513	1,102,235
Loans		135,652	133,111
Initial lease costs		86,785	96,067
Cash and cash equivalents	11	1,331,856	1,289,799
		7,216,140	**6,738,982**
Assets classified as held for sale		-	40,170
		7,216,140	**6,779,152**
Total assets		**21,901,632**	**21,584,970**
Equity and liabilities			
Equity attributable to equity holders of the Parent			
Share capital	12	860	860
Additional paid-in capital	12	4,119,422	4,119,422
Retained earnings		1,652,342	1,770,766
		5,772,624	**5,891,048**
Non-controlling interest		**11,797**	**3,430**
Total equity		**5,784,421**	**5,894,478**
Non-current liabilities			
Bank loans	14	-	4,098,224
Bonds	13	3,000,000	3,000,000
Finance leases	15	241,975	353,962
Deferred tax liability	21	263,120	250,053
		3,505,095	**7,702,239**
Current liabilities			
Trade and other payables	16	6,360,162	5,719,936
Borrowings	14	5,669,995	1,622,866
Current portion of Bonds	13	79,823	79,063
Finance leases	15	128,314	242,622
Advances from customers		137,967	87,540
Tax liability, other than income taxes	17	183,311	125,420
Income taxes payable		45,059	77,802
Provisions for liabilities and charges	23	7,485	33,004
		12,612,116	**7,988,253**
		16,117,211	**15,690,492**
Total equity and liabilities		**21,901,632**	**21,584,970**

Signed and authorized for release on behalf of the Board of Directors of OJSC Dixy Group on 28 April 2010

Fedor Rybasov,
General Director

Irina Kobyakina,
Head of IFRS Reporting

The accompanying notes on pages 7 to 52 are an integral part of these consolidated financial statements.

OJSC Dixy Group

Consolidated statement of comprehensive income

For the year ended 31 December 2009

(in thousands of Russian roubles, unless otherwise indicated)

	Note	2009	2008
Revenue	18	54,261,541	48,325,088
Cost of sales		(39,717,538)	(35,783,573)
Gross profit		**14,544,003**	**12,541,515**
General and administrative expenses	19	(13,239,881)	(11,026,117)
Operating profit		**1,304,122**	**1,515,398**
Finance income	20	25,578	26,931
Finance costs	20	(845,188)	(579,682)
Foreign exchange loss, net		(175,551)	(1,068,308)
Excess of net assets purchased in non-controlling subsidiaries over considerations paid	12	-	827
Profit/(loss) before income tax		**308,961**	**(104,834)**
Income tax expense	21	(421,346)	(219,171)
Loss for the year		**(112,385)**	**(324,005)**
Total comprehensive loss for the year		**(112,385)**	**(324,005)**
Attributable to:			
Equity holders of the Parent		(111,856)	(324,112)
Equity holders of the non-controlling interest		(529)	107
		(112,385)	**(324,005)**
Losses per ordinary share attributable to the equity holders of the parent, basic and diluted (in Russian roubles per share)	22	**(1.33)**	**(4.99)**

The accompanying notes on pages 7 to 52 are an integral part of these consolidated financial statements.

OJSC Dixy Group

Consolidated statement of cash flows

For the year ended 31 December 2009

(in thousands of Russian roubles, unless otherwise indicated)

	Note	2009	2008
Cash flows from operating activities:			
Profit/(loss) before income tax		308,961	(104,834)
Adjustments for:			
Depreciation of property, plant and equipment	5	1,424,827	1,016,863
Amortisation of intangible assets	7	78,655	65,930
Amortisation of initial lease costs	19	99,100	92,905
Gains less losses on disposals of property, plant and equipment and intangible assets	19	89,654	(19,809)
Increase/(decrease) in provision for impairment of taxes recoverable and prepayments	8	37,868	(554)
Increase in provision for impairment of trade and other receivables	10	31,851	16,201
Reversal of write-down/(write down) of inventory to net realizable value	9	(544)	56,231
Decrease in provision for liabilities and charges	23	(25,519)	(151,451)
Decrease in income tax provision	23	(2,091)	(29,293)
Finance costs	20	845,188	579,682
Interest income on loans given and cash deposits	20	(25,578)	(26,931)
Excess of net assets purchased in non-controlling subsidiaries over considerations paid	12	-	(827)
Provision for impairment of assets classified as held for sale	2.4	-	93,449
Provision for impairment of assets associated with V-Mart stores	3	-	26,906
Unrealised foreign exchange losses on borrowings		175,551	1,068,308
Operating cash flows before working capital changes		**3,037,923**	**2,682,776**
Increase in trade and other receivables		(492,145)	(263,059)
Increase in inventories		(47,597)	(924,227)
Decrease/(increase) in taxes recoverable and prepayments		219,413	(147,594)
Increase in trade and other payables		640,225	1,288,027
Increase in tax liability other than income tax		68,550	11,730
Increase in advances from customers		50,427	8,651
Cash generated from operations		**3,476,796**	**2,656,304**
Income tax paid		(570,946)	(638,455)
Interest paid		(843,281)	(595,939)
Net cash from operating activities		**2,062,569**	**1,421,910**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,557,413)	(3,858,729)
Proceeds from sale of property, plant and equipment		64,311	55,050
Purchase of non-controlling interest in subsidiary	12	-	(281)
Initial Lease costs paid		(8,569)	(9,226)
Purchases of businesses from parties under common control, net of cash acquired		-	-
Loans repaid		429,593	466,034
Disbursement of loans		(401,114)	(447,647)
Interest received		4,505	16,688
Purchases of intangible assets		(31,401)	(150,958)
Sale of non-controlling interest in subsidiary	12	2,328	-
Net cash used in investing activities		**(1,497,760)**	**(3,929,069)**

The accompanying notes on pages 7 to 52 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	2009	2008
Cash flows from financing activities:			
Proceeds from loans and borrowings	14	4,334,988	12,564,962
Repayment of loans and borrowings	14	(4,604,663)	(10,540,537)
Buy-out of shares	12	-	(709,384)
Proceeds from new issuance of shares	12	-	1,355,619
Proceeds from sale and leaseback transaction		-	91,186
Finance lease payments	15	(253,078)	(221,925)
Net cash from financing activities		**(522,753)**	**2,539,921**
Net increase in cash and cash equivalents		**42,057**	**32,762**
Cash and cash equivalents at the beginning of the year	11	**1,289,799**	**1,257,037**
Cash and cash equivalents at the end of the year	11	**1,331,856**	**1,289,799**

The following non-cash investing and financing activities were excluded from the above consolidated statement of cash flows for the year ended 31 December 2009:

- acquisition of property, plant and equipment of 1,374 (in 2008: 361,033) through finance lease.

OJSC Dixy Group

Consolidated statement of changes in equity

For the year ended 31 December 2009

(in thousands of Russian roubles, unless otherwise indicated)

	Note	Attributable to equity holders of the Parent					
		Share capital	Additional paid-in capital	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2008		600	3,473,447	2,094,878	5,568,925	4,431	5,573,356
Total comprehensive loss for the year		-	-	(324,112)	(324,112)	107	(324,005)
Issuance of shares in connection with secondary public offering	12	260	1,355,359	-	1,355,619	-	1,355,619
Buy-out of shares	12	-	(709,384)	-	(709,384)	-	(709,384)
Purchase of non-controlling interest in subsidiary	12	-	-	-	-	(1,108)	(1,108)
At 31 December 2008		860	4,119,422	1,770,766	5,891,048	3,430	5,894,478
Total comprehensive loss for the year		-	-	(111,856)	(111,856)	(529)	(112,385)
Sale of non-controlling interest in subsidiary	12	-	-	(6,568)	(6,568)	8,896	2,328
At 31 December 2009		860	4,119,422	1,652,342	5,772,624	11,797	5,784,421

1 Corporate information

CJSC "Company Uniland Holding" (the "Company") was incorporated in January 2003 in Moscow, Russian Federation for the purpose of consolidation and reorganization of entities under common control. The Company initially was fully owned by Dixy Retail Limited (BVI) through Dixy Holding Limited (Cyprus). In March 2007, the Company was reorganized into an Open Joint Stock Company and renamed to "Dixy Group".

Since 24 May 2007 shares of OJSC Dixy Group are listed on the Russian Stock Exchange (refer to Note 12).

In January 2008 Closed Joint-Stock Company "Trade Company Megapolis" has acquired 100% of the ownership in Dixy Retail Limited (BVI), the owner of 100% stake in Dixy Holding Limited (Cyprus), which as of 31 December 2009 holds 61.09% of shares in OJSC Dixy Group. CJSC "Trade Company Megapolis" is a part of the Mercury Group. Mercury Group is ultimately controlled by Mr. Igor Kesaev.

These consolidated financial statements of the Company were signed and authorized for release by the General Director and the Head of IFRS Reporting of OJSC Dixy Group on 28 April 2010.

2.1 Basis of preparation

The 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 the particular Group company is resident. The financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

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

The functional currency of Group companies was determined on an entity by entity basis. In 2009 and 2008 the functional currency of all of the Group's operating companies was determined to be Russian Roubles.

The consolidated financial statements are presented in Russian Rouble and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.1 Basis of Preparation (continued)

Basis of consolidation

Basis of consolidation from 1 January 2009 (upon adoption of IFRS 3 (revised))

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Basis of consolidation prior to 1 January 2009 (under previous accounting guidance in IFRS 3)

In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

Purchases of controlling interests in subsidiaries from entities under common control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in these financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to the shareholders' equity.

These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

As at 31 December 2009 and 31 December 2008 the principal operating and holding consolidated subsidiaries of OJSC Dixy Group were:

Company	Country	Nature of operations	Ownership (%) 2009	Ownership (%) 2008
Timefield Trading & Investments Ltd	Cyprus	Financial company	100%	100%
Lexavart Holding Ltd	BVI	Holder of trademarks	100%	100%
CJSC Discount Centre	Russia	Retailing	100%	100%
CJSC DIXY Yug	Russia	Retailing	100%	100%
CJSC DIXY – Logistics	Russia	Transportation	100%	100%
CJSC Regionalnyje magaziny	Russia	Managing of Group's assets	100%	100%
CJSC Spayder Ekaterinburg	Russia	Managing of Group's assets	100%	100%
LLC Yaroslavskie magaziny	Russia	Retailing	100%	100%
LLC Denver	Russia	Retailing	100%	100%
LLC Stroyregioninvest	Russia	Real estate	100%	100%
LLC Interfinance	Russia	Retailing	100%	100%
LLC Kalitniki	Russia	Real estate	100%	100%
LLC Agat-26	Russia	Retailing	*	100%
LLC Sever-13	Russia	Real estate	*	100%
LLC D-Vostok	Russia	Retailing	100%	100%
LLC Kostromatorg	Russia	Real estate	100%	100%
LLC Kaluzhskie magaziny	Russia	Retailing	100%	100%
CJSC DIXY – St Petersburg	Russia	Retailing	100%	100%
CJSC Megamart – Severo-Zapad	Russia	Managing of Group's assets in Saint-Petersburg	100%	100%
LLC Severo-Zapad	Russia	Holding company	100%	100%
LLC Sankt-Petersburgkie magaziny	Russia	Managing of Group's assets in Saint-Petersburg	100%	100%
CJSC Megamart	Russia	Retailing	100%	100%
LLC SPb-Leasing	Russia	Real estate	100%	100%
LLC DIXY Chelyabinsk	Russia	Retailing	100%	100%
LLC Dixy-Snezhinsk	Russia	Real estate	100%	100%
OJSC YarTorgOdezhda	Russia	Retailing, Real estate	84.8%	95.8%
LLC Dixy Finance	Russia	Financing company	0%	0%

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

LLC Dixy Finance satisfied the criteria of SIC 12 "Consolidation – Special Purpose Entities" and accordingly is consolidated in these financial statements (refer to Note 2.3).

* LLC Agat-26 and LLC Sever-13 were merged into LLC Yaroslavskie magaziny in 2009.

2.2 Changes in accounting policy and disclosures

Certain comparative information presented in the 2008 consolidated financial statements has been reclassified in order to achieve comparability with the presentation used in these consolidated financial statements. Such reclassifications were not significant and, therefore, are not disclosed separately.

The accounting policies adopted are consistent with those of the previous financial years except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* effective 1 January 2009
- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010 (early adopted)
- IFRS 3 *Business Combinations* (Revised) and IAS 27 *Consolidated and Separate Financial Statements* (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 *Presentation of Financial Statements* effective 1 January 2009
- IAS 23 *Borrowing Costs* (Revised) effective 1 January 2009
- IAS *32 Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* effective 1 January 2009
- IAS *39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009 (early adopted)
- IFRIC 9 *Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- IFRIC 13 *Customer Loyalty Programmes* effective 1 July 2008
- IFRIC 15 *Agreements for the Construction of Real Estate* effective 1 January 2009
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008
- IFRIC 18 *Transfers of Assets from Customers* effective 1 July 2009 (early adopted)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

2.2 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 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group adopted the revised standards from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, 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 recognized, 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 material impact on earnings per share.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. 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 Level 1 and Level 2 fair value measurement. The amendments also clarify the requirements for liquidity risk disclosures.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the combination of the business and geographical segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 3, including the related revised comparative information.

IAS 1 (Revised) 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 as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

In May 2008 and 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 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. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group decided not to disclose this information in Note 3.
- IAS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- 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 its revenue recognition accounting policy is already in line with this improvement.
- IAS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- 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.

2.2 Changes in accounting policy and disclosures (continued)

- IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

  The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

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

- IFRS 2 *Share-based Payment*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Error*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefits*
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*
- 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*

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2.3 Significant accounting judgments, estimates and assumptions (continued)

Judgements

Going concern

These consolidated financial statements were prepared on the basis of accounting principles applicable to a going concern, which assumes that the Group will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Group has a negative working capital of 5,395,976, and 1,209,101 as at 31 December 2009 and 2008, respectively. In the next 12 months, the Group expects to meet its current obligation by cash generated from operations and new long-term borrowings. In April 2010 the Group signed a mandate agreement for a new four year borrowing facility of 200 million US dollars (6,048 million Russian rubles at the reporting date exchange rate) with a syndicate of banks, which is subject to the final approval by the banks credit committees (Note 25).

In 2009 and 2008, the Group generated a net loss of 112,385 and 324,005, respectively. Also in 2009 and 2008 the Group generated positive net cash from operating activities of 2,062,569 and 1,421,910, respectively. Management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Recognition of revenue for services rendered to vendors

Revenue from services provided to vendors generates a significant portion of the Group income from operating activities. Because these service contracts are closely related to core purchase contracts it is often a matter of judgement to distinguish whether proceeds for services rendered should be recognised as revenue or whether they should be recognised as discounts provided, as a deduction from cost of goods purchased.

Consolidation of a special purpose entity

In 2005 the immediate shareholder of the Company founded a wholly-owned subsidiary LLC Dixy Finance. The objective of LLC Dixy Finance is to obtain external financing and provide loans to operating companies of the Group and to pay a remuneration to the Group's management. Having analysed the criteria set out in SIC-12 *Consolidation – Special Purpose Entities,* management concluded that in substance LLC Dixy Finance represents a special purpose entity controlled by the Group and is therefore consolidated in these financial statements.

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:

2.3 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. The assets subject to such assessment are primarily property, plant and equipment, goodwill, initial lease costs and other intangible assets. Goodwill (refer to Note 6) and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 group of assets.

Where the carrying amount of an asset 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 assessment of the time value of money and the risks specific to the assets.

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require 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. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any non-financial assets impairment.

Useful lives of items of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and 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". In 2009, there were no change in estimates of useful lives of property, plant and equipment.

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 the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgement in forecasting future cash flows and developing other assumptions.

2.3 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers and contractors to make required payments or rendered services. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2009, allowances for doubtful accounts have been created in the amount of 127,559 (2008: 57,840).

Inventory provision

The Group determines the provisions for obsolete or slow moving items of inventories based on their expected future use and realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of sale or distribution. Selling prices and costs to sale are subject to change as new information becomes available. Revisions to the estimates may significantly affect future operating results.

Litigations

The Group exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occur 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, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. More details are provided in Note 23.

2.3 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Deferred tax assets

Group's management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization 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 utilization of deferred tax assets, including past operating results, the operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these 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 the event that an assessment of future utilization indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognized in profit or loss. More details are provided in Note 21.

The Group’s property, plant and equipment, except for assets acquired prior to 1 January 2003, are stated at historical cost less accumulated depreciation and any impairment in value. Property, plant and equipment acquired before 1 January 2003 is stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002, less accumulated depreciation and any impairment in value.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management of the Group companies 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 recognized as an expense (impairment loss) in profit or loss. An impairment loss recognized for an asset in previous years is reversed if there is any indication that impairment loss may no longer exist or may have decreased.

After initial recognition property, plant and equipment is measured at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated using the straight-line basis over the useful life of the asset as follows:

	Useful lives in years
Buildings	30
Renovation of stores	5
Equipment	3 – 5

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Operating leases

Where the Group is a lessee in a lease, which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments (including initial lease costs) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease liabilities

Where the Group is a lessee in a lease, which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest cost is charged to the profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of their useful life or lease term.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

2.4 Summary of significant accounting policies (continued)

Goodwill (continued)

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Other intangible assets

All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software, trademarks and favourable operating lease agreements.

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 amortization and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Software licenses	5 – 10
Favourable lease agreements – over the lease term	5 – 10

Amortization periods and methods for intangible assets with finite useful lives are reviewed at least annually 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 is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Capital advances

Capital advances include amounts prepaid for property, plant and equipment and are measured at cost. Payments for purchases of property, plant and equipment are presented net of VAT in the cash flow statement.

2.4 Summary of significant accounting policies (continued)

Initial lease costs

Initial lease costs include lump sum amounts paid to the lessors under operating leases of stores and warehouses either for the right to conclude the lease or to finance construction and repairs works on the leased assets. Initial lease costs are capitalised and charged to profit or loss on a straight-line basis over the period of lease.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. A liability is also recorded for any taxes that are payable but not declared in the tax accounts of the Group entities. This liability is released to profit or lossafter three years. A provision for taxes, other than on income, is set up and recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill, which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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 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 marketplace.

Loans receivables

Loans receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and Other Accounts Receivable

Trade and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for uncollectible amounts is made when collection of the full amount is no longer probable. Trade receivables mainly comprise receivables from vendors for rebates and returns.

Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash transferred from stores to bank but not yet credited to bank accounts as of the reporting date is recorded as cash in transit.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment once classified as held for sale are not depreciated.

Non-current assets held for sale were measured at fair value less cost to sell, accordingly as of 31 December 2009 the Group did not recognise a provision for impairment of the asset (2008: 93,449).

Derecognition of financial assets and liabilities

Financial assets

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.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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 profit or loss.

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction from the proceeds.

Additional paid-in capital

Additional paid in capital represents accumulated contributions made by shareholders and share premium for new shares issue transactions. Additional contributions of shareholders other than proceeds from issue of the Company's equity instruments are recorded at the fair value of the contributions received.

Treasury shares

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

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 debtor, including VAT.

2.4 Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognized initially at fair value (which is the present value of the proceeds received determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price), net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings. The borrowing costs incurred on qualifying assets are capitalized and amortized over useful life of qualifying asset.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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.

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.

Foreign currency translation

The consolidated financial statements are presented in Russian Roubles (RUB), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recognized in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

2.4 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

All resulting differences are taken to the profit or loss. 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 transactions.

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was US$ 1 = RR 30.2442 (2008: US$ 1 = RR 29.3804).

Employee benefits

Employee benefits for the services provided during a reporting period are recognized as an expense in that reporting period. All employee benefit plans represent defined contribution plans.

State pension plan

In the normal course of business the Group contributes to the Russian Federation state pension plan, as well as to the social insurance, medical insurance, and unemployment funds on behalf of its employees. The Group has no other pension plan and thus has no future liabilities for such payments. These contributions, being calculated on a sliding scale at a rate of 2% to 20%, are expensed when incurred. It does not impose upon the Group any constructive unconditional liabilities since all risks and benefits related to payments to employees are undertaken by the state.

Bonuses

For each year the Group's management establishes bonus programs for middle and senior management. Bonuses are generally dependent on the achievement of certain financial performance criteria of individual business units and the Group as a whole and are calculated and accrued in the period in which the related services are rendered.

Other costs

The Group incurs employee costs related to the provision of benefits such as health services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to operating expenses.

2.4 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognized when the title to goods and the risks of ownership are transferred to the customer, provided that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is recognized net of value added tax, sales tax and discounts.

Marketing revenue is recognised in the period when the services are rendered and accepted by the customer by signing an acceptance act subject to a condition that there is a reasonable certainly that the respective accounts receivable will be repaid.

Rental income is recognised on a straight-line basis over the lease term.

Expense recognition

Expenses are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the profit or loss in the period to which they relate.

Advertising costs

Advertising costs are expensed when incurred.

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

Issued by the IASB but not yet effective

- IFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual period beginning on or after 1 July 2010)
- IAS 24 (revised) (effective 1 January 2011)
- Amendments to IFRIC 14 (effective for annual period beginning on or after 1 January 2011)
- Amendments to IAS 32 (effective for annual period beginning on or after 1 February 2010)

Except for certain changes in disclosure, the Board of Directors anticipates that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company. The Company currently does not plan early application of the above standards and interpretations.

3 Segment information

For management purposes, the group is organised into business units based on format of its stores and has four reportable operating segments as follows:

- Dixy - Moscow – representing retail sales through a chain of discounters, which are present in Central Region (comprising Moscow and Moscow region, Yaroslavl region, Ryazan region and Kaluga);
- Dixy – St.Petersburg – a chain of discounters, which are present in North-West Region (comprising Saint-Petersburg and neighbouring towns);
- Dixy – Chelyabinsk - representing retail sales through a chain of discounters, which are present in Chelyabinsk Region;
- Megamart – representing retail sales through a chains of compact hypermarkets and economy supermarkets (Minimart), which are present in Ural Region;

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange differences, corporate expenses and income taxes are managed on a group basis and are not allocated to operating segments. Corporate expenses include payroll of head office employees, rent of head office and other expenses related to general management of the Group.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. In 2009 and 2008 there was no material transfers between reportable operating segments.

Dixy – St.Petersburg segment included in 2008 and 2009 twelve express format stores ("V-Mart stores"). In the first quarter 2009, the Group decided to close all of these stores, located in St-Petersburg due to a decline in business perspective as a result of economic downturn. As of 31 December 2008 the Group accrued an impairment provision for assets related to V-Mart stores in the amount of 26,906 comprising 24,702 of impairment provision in respect of equipment and renovation of V-Mart stores, 1,171 of impairment provision in respect of initial lease costs and 1,033 in respect of other assets.

3 Segment information (continued)

Segment information for the main reportable business segments of the Group for the years ended 31 December 2009 and 2008 is set out below:

	Dixy - Moscow	Dixy - St.Petersburg	Dixy - Chelyabinsk	Megamart	Adjustments	Group
2009						
Total segment revenue	27,283,126	15,793,911	2,771,321	8,413,183	–	54,261,541
Profit before taxation	168,176	896,030	(62,308)	906,265	(1,599,202) (A)	308,961
Depreciation and amortisation	963,889	312,510	60,772	166,311	–	1,503,482
Other Non-cash expenses:						
Amortisation Initial Lease costs	88,110	10,440	560	–	–	99,110
Tax provision	(11,063)	(4,119)	(5,251)	(5,086)	–	(25,519)

(A) – Segment profit before taxation does not include corporate expenses of 604,039, finance expense of 845,189, finance income of 25,578 and net foreign exchange loss of 175,552.

	Dixy - Moscow	Dixy - St.Petersburg	Dixy - Chelyabinsk	Megamart	Adjustments	Group
2008						
Total segment revenue	24,567,698	13,809,479	2,948,125	6,999,786	–	48,325,088
Profit before taxation	978,444	356,237	17,169	510,027	(1,966,711) (B)	(104,834)
Depreciation and amortisation	648,700	244,125	62,635	127,333	–	1,082,793
Other Non-cash expenses:						
Amortisation Initial Lease costs	82,690	9,833	382	–	–	92,905
Tax provision	(151,451)	–	–	–	–	(151,451)
Provision for impairment of assets classified as held for sales less income tax of nil (Note 2.4)	93,449	–	–	–	–	93,449
Provision for impairment of assets associated with V-Mart format stores	–	26,906	–	–	–	26,906

(B)– Segment profit before taxation does not include corporate expenses of 346,479, finance expense of 579,682, finance income of 26,931, net foreign exchange loss of 1,068,308 and excess of net assets purchased in non-controlling subsidiaries over consideration paid of 827.

4 Balances and transactions with related parties

Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify, account and properly disclose transactions with related parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2009 are detailed below. At 31 December 2009, the outstanding balances with related parties were as follows:

	Entities under common control	Key management personnel	Total
Gross amount of trade receivables	12,919	-	12,919
Gross amount of prepayments	6,746	-	6,746
Gross amount of other receivables	6,968	-	6,968
Gross amount of loans - current	97,776	800	98,576
Capital advances	71,952	-	71,952
Borrowings (refer to Note 14)	407,395	-	407,395
Trade and other payables	64,144	-	64,144

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The income and expense items with related parties for the year 2009 were as follows:

	Entities under common control	Key management personnel	Total
Interest income	11,161	61	11,222
Interest expense	9,688	-	9,688
Purchase of goods	504,908	-	504,908

Transfers under finance arrangements (including loans and equity contributions in cash or in kind) for the year 2009 were as follows:

In thousands of Russian Roubles	Entities under common control	Key management personnel	Total
Loans	325,000	310	325,310
Repayment of loans issued	(325,000)	(4,910)	(329,910)

4 Balances and transactions with related parties (continued)

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2008 are detailed below. At 31 December 2008, the outstanding balances with related parties were as follows:

	Entities under common control	Key management personnel	Total
Gross amount of trade receivables	9,994	-	9,994
Gross amount of prepayments	4,671	-	4,671
Gross amount of other receivables	6,165	-	6,165
Gross amount of loans - current	87,318	5,574	92,892
Capital advances	207,981	-	207,981
Borrowings (refer to Note 14)	386,840	-	386,840
Trade and other payables	43,656	-	43,656

The income and expense items with related parties for the year 2008 were as follows:

	Entities under common control	Key management personnel	Total
Interest income	6,702	218	6,920
Interest expense	7,627	-	7,627
Purchase of goods	530,236	-	530,236
Operating lease expenses	2,290	-	2,290

Transfers under finance arrangements (including loans and equity contributions in cash or in kind) for the year 2008 were as follows:

In thousands of Russian Roubles	Entities under common control	Key management personnel	Total
Loans	100,000	14,400	114,400
Repayment of loans issued	(100,000)	(9,000)	(109,000)
Proceeds from borrowings	-	-	-
Repayments of borrowings	(1,735)	-	(1,735)

Directors' compensation

Compensation paid to six (2008: eleven) directors for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results, all of which represent short-term employee benefits as defined in IAS 19, *Employee Benefits*. Total directors' compensation included in operating expenses in profit or loss amounted to 102,437 (2008: 87,711).

Loans obtained from parties under common control

At 31 December 2009 and 2008 the Group had several outstanding loans from Dixy Capital Investments Limited, which is under control of the Group's ultimate shareholder. These loans are payable on demand and denominated in US dollars. The interest rate on these loans is 11-12.65% (2008: 11-11.5%). No assets are pledged under these loans agreements.

4 Balances and transactions with related parties (continued)

Loans issued to parties under common control

At 31 December 2009 and 2008 the Group had several loans issued to parties under common control of the Group's ultimate shareholder. These loans are payable in 2010 and are mainly denominated in US dollar. The interest rate on these loans is 11.5% (2008: 11.5%). These loans are not secured.

Purchase of goods

During 2009 the Group purchased goods for resale in the normal course of business in the amount of 504,908 (2008: 530,236) from entities under control of its controlling shareholder Group Megapolis. The Group's controlling shareholder operates in the wholesale business specializing in distribution of tobacco goods.

5 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment in 2009 were as follows:

	Land	Buildings	Renovation of stores	Equipment	Assets under construction and uninstalled equipment	Total
Cost						
At 31 December 2008	**110,480**	**8,297,544**	**1,797,727**	**3,752,834**	**487,070**	**14,445,655**
Additions	-	-	-	-	2,211,529	2,211,529
Transfers	238,550	769,040	497,899	754,738	(2,260,227)	-
Disposals	(182)	(4,261)	(99,602)	(171,425)	(14,671)	(290,141)
At 31 December 2009	**348,848**	**9,062,323**	**2,196,024**	**4,336,147**	**423,701**	**16,367,043**
Accumulated Depreciation						
At 31 December 2008	**-**	**376,910**	**631,994**	**1,368,906**	**-**	**2,377,810**
Disposals	-	(3,592)	(42,773)	(129,981)	-	(176,346)
Depreciation charge	-	301,479	359,193	764,155	-	1,424,827
At 31 December 2009	**-**	**674,797**	**948,414**	**2,003,080**	**-**	**3,626,291**
Net book value						
At 31 December 2009	**348,848**	**8,387,526**	**1,247,610**	**2,333,067**	**423,701**	**12,740,752**
At 31 December 2008	**110,480**	**7,920,634**	**1,165,733**	**2,383,928**	**487,070**	**12,067,845**

5 Property, plant and equipment (continued)

Movements in the carrying amount of property, plant and equipment in 2008 were as follows:

	Land	Buildings	Renovation of stores	Equipment	Assets under construction and uninstalled equipment	Total
Cost						
At 31 December 2007	34,329	4,102,504	1,198,017	2,415,946	2,208,182	9,958,978
Additions		-	-	-	4,777,301	4,777,301
Transfers	76,151	4,327,225	677,068	1,393,903	(6,474,347)	-
Disposals	-	(3,895)	(34,925)	(45,788)	(24,066)	(108,674)
Impairment of assets associated with V-Mart stores (Note 3)	-	-	(18,154)	(11,227)	-	(29,381)
Reclassified to assets classified as held for sale		(128,290)	(24,279)	-	-	(152,569)
At 31 December 2008	**110,480**	**8,297,544**	**1,797,727**	**3,752,834**	**487,070**	**14,445,655**
Accumulated Depreciation						
At 31 December 2007	-	215,048	402,376	838,382	-	1,455,806
Depreciation charge	-	176,040	262,923	577,900	-	1,016,863
Disposals	-	(636)	(25,811)	(44,783)	-	(71,230)
Impairment of assets associated with V-Mart stores (Note 3)	-	-	(2,086)	(2,593)	-	(4,679)
Reclassified to assets classified as held for sale	-	(13,542)	(5,408)	-	-	(18,950)
At 31 December 2008	**-**	**376,910**	**631,994**	**1,368,906**	**-**	**2,377,810**
Net book value						
At 31 December 2008	**110,480**	**7,920,634**	**1,165,733**	**2,383,928**	**487,070**	**12,067,845**
At 31 December 2007	**34,329**	**3,887,456**	**795,641**	**1,577,564**	**2,208,182**	**8,503,172**

The carrying value of equipment and buildings held under finance lease contracts at 31 December 2009 was 424,086 (2008: 558,409) and 79,211 (2008: 83,376), respectively. Additions during 2009 include 1,374 (2008: 361,063) of equipment held under finance leases. The Group has no title for leased assets and the ownership rights for them transfer to the Group upon the maturity of finance lease contracts.

At 31 December 2009 buildings and equipment carried at 356,226 (2008: 373,280) have been pledged to third parties as collateral for borrowings (refer to Note 14).

During the year ended 31 December 2009 the Group capitalized interest of 18,756 (2008: 122,049). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was in the range of between 4.88-17.36% (refer to Note 2.2).

6 Goodwill

There was no movement in goodwill in 2009 and 2008.

Goodwill impairment test

Goodwill is allocated to groups of cash-generating units (CGUs; one CGU is one store) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	2009	2008
Retail stores located in Yaroslavl and Yaroslavl region (former LLC Planeta Management and its subsidiaries and YarTorgOdezhda)	165,523	165,523
Retail stores located in Ryazan and Ryazan region	217,252	217,252
Retail stores located in Kolomna	19,935	19,935
Retail stores located in Smolensk	1,893	1,893
	404,603	**404,603**

The recoverable amount of CGUs was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the group of CGUs operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2009	2008
Sales growth within five years	7.5%	8.5%
Gross margin	21-22%	20-23%
Growth rate beyond five years	7.5%	8.5%
Pre-tax discount rate	13% p.a.	11% p.a.

Management determined budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports prepared by reputable analysts. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on the impairment tests performed no impairment of goodwill arose. If the key assumptions listed above were changed to reflect reasonably possible more pessimistic expectations (sales growth within five years – 2%, growth rate beyond five years – 2%, gross margin – 18%, discount rate – 18.2%) the Group would still not recognise any impairment.

7 Other intangible assets

Movements in the carrying amount of intangible assets in 2009 were as follows:

	Software licenses	Favourable operating lease agreements	Total
Cost			
At 31 December 2008	80,368	829,891	910,259
Additions	31,401	-	31,401
Disposals	(1,702)	(287,748)	(289,450)
At 31 December 2009	110,067	542,143	652,210
Amortisation			
At 31 December 2008	17,973	164,853	182,826
Amortisation charge	11,079	67,576	78,655
Disposals	(688)	(40,341)	(41,029)
At 31 December 2009	28,364	192,088	220,452
Carrying amount			
At 31 December 2009	**81,703**	**350,055**	**431,758**
At 31 December 2008	**62,395**	**665,038**	**727,433**

Movements in the carrying amount of intangible assets in 2008 were as follows:

	Software licenses	Favourable operating lease agreements	Total
Cost			
At 31 December 2007	75,051	684,992	760,043
Additions	6,059	144,899	150,958
Disposals	(742)	-	(742)
At 31 December 2008	80,368	829,891	910,259
Amortisation			
At 31 December 2007	8,358	108,924	117,282
Amortisation charge	10,001	55,929	65,930
Disposals	(386)	-	(386)
At 31 December 2008	17,973	164,853	182,826
Carrying amount			
At 31 December 2008	**62,395**	**665,038**	**727,433**
At 31 December 2007	**66,693**	**576,068**	**642,761**

8 Taxes recoverable and prepayments

	2009	2008
VAT recoverable	252,209	452,678
Prepayments (net of allowance for impairments of 69,634 (2008:31,766))	385,180	436,681
Prepaid expenses	35,310	42,021
Taxes prepaid	127,839	63,748
Income tax prepaid	138,975	107,107
Total taxes recoverable and prepayments	**939,513**	**1,102,235**

9 Inventories

	2009	2008
Goods for resale (net of write-down to net realizable value of 90,245 (2008: 90,789))	3,281,277	3,251,252
Raw materials and operating supplies (at cost)	39,692	21,576
Total inventories at the lower of cost or net realisable value	**3,320,969**	**3,272,828**

Inventory write-down due to shrinkages identified during the physical inventory counting in 2009 comprised 1,160,875 (2008: 814,624). No inventory is pledged as of 31 December 2009 and 2008.

10 Trade and other receivables

	2009	2008
Trade receivables (net of allowance for impairment of trade receivables of 54,709 (2008: 22,043))	1,264,492	762,751
Receivables for loan from CJSC Company Uniland Yekaterinburg sold to LLC Favorit	85,337	99,273
Other receivables (net of allowance for impairment of other receivables of 3,216 (2008: 4,031))	77,340	59,423
Total trade and other receivables	**1,427,169**	**921,447**
Less current portion	(1,401,365)	(844,942)
Non-current trade and other receivables	**25,804**	**76,505**

In 2007 the Group sold its loan from CJSC Company Uniland Yekaterinburg to LLC Favorit for carrying amount of 212,410. Out of this amount 74,421 was repaid till 31 December 2007 in accordance with payment schedule.

In June 2008 the Group changed its estimate of the recoverability period of this debt shown as at 31 December 2007 in the amount of 137,989 as current. The Group expects that the loan will be repaid in equal quarterly portions by the end of 2011. The debt was discounted to fair value at 9% using the effective interest method.

Trade receivables as of 31 December 2009 and 2008 are denominated mainly in Russian roubles.

10 Trade and other receivables (continued)

As at 31 December 2009, trade receivables at nominal value of 54,709 (2008: 22,043) were individually impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

At 1 January 2008	9,110
Reversed	(6,041)
Accrued	18,974
At 31 December 2008	22,043
Reversed	(13,577)
Accrued	46,243
At 31 December 2009	**54,709**

At 31 December, the ageing analysis of trade receivables was as follows:

			Of which: not impaired on the reporting date and past due in the following periods			
	Carrying amount	**Of which neither impaired nor past due on the reporting date**	**Less than 60 days**	**between 61 and 150 days**	**between 151 and 330 days**	**More than 330 days**
2009	1,264,492	846,144	231,070	88,845	70,467	27,966
2008	762,751	503,309	97,159	69,053	62,917	30,313

Trade receivable as of 31 December 2009 and 2008 had different payment terms ranging from 5 to 60 days payment period with average payment period of 1 month. Because of different payment terms and significant number of debtors the Group concluded that it is impracticable to provide ageing analysis of trade receivables on individual basis. The Group prepared overdue ageing analysis based on average payment period of 1 month.

As at 31 December 2009 and 2008, other receivables at nominal value of 3,216 (2008: 4,031) were impaired and fully provided for. Movements in the provision for impairment of other receivables were as follows:

At 1 January 2008	763
Reversed	(102)
Accrued	3,370
At 31 December 2008	4,031
Reversed	(3,525)
Accrued	2,710
At 31 December 2009	**3,216**

10 Trade and other receivables (continued)

At 31 December, the ageing analysis of other receivables was as follows:

	Carrying amount	Of which neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods			
			Less than 60 days	between 61 and 150 days	between 151 and 330 days	More than 330 days
2009	77,340	24,331	29,184	4,571	10,656	8,598
2008	59,423	30,203	2,595	1,032	1,421	24,172

11 Cash and cash equivalents

	2009	2008
Cash on hand – Russian roubles	161,018	142,178
Russian rouble denominated bank balances due on demand (interest rate: 0.5% p.a.; 2008: 0.5% p.a.)	456,533	424,724
US$ denominated bank balances due on demand (interest rate: 0% p.a.; 2008: 0.5% p.a.)	14,385	17,208
Russian rouble denominated time deposits (interest rate: 3.55-5.25 % p.a.;2008: 4.5-4.75% p.a.)	341,042	187,138
US$ denominated time deposits (interest rate: nil; 2008:0.05-0.12% p.a.)	-	228,580
Cash in transit – Russian roubles	358,878	289,971
	1,331,856	1,289,799

Time deposits have original maturities of less than one month.

12 Share capital and equity

Issued and additional paid-in capital

On incorporation the Company issued 500 shares at a par value of 1 per share.

Additional paid in capital represents accumulated contributions made by shareholders and share premium for new shares issue transactions.

In March 2007 the Company split its 500 shares into 50,000,000 shares of a par value of 0.01 Russian rouble per share. The shares rank equally. Each share carries one vote.

In May 2007 24,999,999 ordinary shares were issued to public investors as a result of the Initial Public Offering conducted at Russian Stock Exchange (RTS). Following completion of the offering, the Group issued 10,000,000 new shares to Dixy Holding Limited by closed subscription. After completion of the offering, the closed subscription and the transfer between shareholders, Dixy Holding Limited became owner of 50.96 per cent of the issued share capital.

12 Share capital and equity (continued)

In November 2008 26,000,000 additional ordinary shares were placed as part of the offering, out of which 17,264,142 ordinary shares were placed with pre-emptive rights holders and 8,735,858 ordinary shares were placed under open subscription. As a result of the secondary public offering the Group raised 1,355,359 net of associated transactions costs of 79,670.

In August and in October 2009 the Company repurchased 968,197 ordinary shares for 355,484 (367 roubles per share) and 963,886 ordinary shares for 353,900 (367 roubles per share), respectively.

As at 31 December 2009 the Group had 86,000,000 (2008: 86,000,000) authorized ordinary shares of which 1,932,083 (2008: 1,932,083) ordinary shares were held as treasury stock. All ordinary shares are fully paid.

Dividends

No dividends were paid in 2009 (2008: nil). No dividends were declared or paid subsequent to 31 December 2009 up to the date of authorisation of these financial statements for issue.

In accordance with Russian legislation, dividends may only be declared from accumulated undistributed and unreserved earnings as shown in Russian statutory financial statements. As of 31 December 2009 and 2008 the Company had 181,372 and 178,462 of accumulated loss, respectively. In addition, the Company's share in the undistributed and unreserved earnings of subsidiaries was approximately 1,819,628 as at 31 December 2009 (2008: 883,732).

Non-controlling interest

In December 2008 the Group bought out a 1.4% interest in LLC YarTorgOdezhda from its non-controlling shareholders for a cash consideration of 281. The book value of the non-controlling interest bought out was 1,108. Excess of carrying amount of non-controlling interest purchase from non-controlling shareholder over consideration paid was recognised in profit or loss.

In October 2009 the Group sold out a 11% interest in LLC YartorgOdezhda for a cash consideration of 2,328. The Group recognised increase in non-controlling interest by 8,896. The resulting loss of 6,568 was recognised directly in equity.

13 Bonds

In March 2006 the Group issued 3,000,000 Russian rouble denominated bonds for a term of 5 years with a coupon period of 6 months. Bonds bear interest of 9.25% per annum. The only covenant of the bond placement is that the Company should retain control over its key operating companies, which account for more than 79% of consolidated revenues. As at 31 December 2009 the Group had accrued coupon of 79,823 (2008: 79,063).

14 Borrowings

	2009	2008
Term bank loans	5,262,600	5,334,250
Loan from entities under common control (Note 4)	407,395	386,840
Total borrowings	**5,669,995**	**5,721,090**

The Group's borrowings mature as follows:

	2009	2008
Borrowings due:		
- within 1 year	5,669,995	1,622,866
- between 2 and 5 years	-	4,098,224
Total borrowings	**5,669,995**	**5,721,090**

Terms and conditions in respect of borrowings are detailed below:

Source of financing	Maturity date	Currency	Interest rate 2009	Interest rate 2008	Collateral 2009	Collateral 2008	2009	2008
Syndicated loan arranged by CITIBANK N.A.	2010	US$	LIBOR+4,3%	LIBOR+3,3%	-	-	4,099,835	3,980,142
VTB Bank (OJSC)	2010	RR	16,7-17,4%	-	-	-	1,010,267	-
AB Gazprombank (CJSC)	2010	RR	15%	15%	Buildings for 356,226	Buildings for 373,280	151,426	359,446
AB Gazprombank (CJSC)	2010	RR	-	12%	-	-	-	494
AB Gazprombank (CJSC)	2009	RR	18%	-	-	-	146	-
AKB Chelindbank (OJSC)	2009	RR	-	10%	-	-	-	29,634
UniCredit Bank	2009	US$	-	LIBOR+4,25%	-	-	-	962,226
Loan from entities under common control (Note 4)	2010	US$	11-12.65%	11-11.5%	-	-	407,395	386,840
Other	2010	RR			-	-	926	2,308
							5,669,995	**5,721,090**

Property, plant and equipment at carriyng amount was pledged as collateral for borrowings of 356,226 (2008: 373,280) (refer to Note 5).

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

As at 31 December 2009 carrying amount of borrowings approximates their fair value (2008: exceed by 547,512).

14 Borrowings (continued)

As of 31 December 2009 the Group had syndicated loan arranged by Citibank N.A. in the amount of 4,099,835. This loan impose restrictions on capital maintenance, which are summarised below:

- Maximum Total Financial Debt to EBITDA of 3.5
- Minimum EBITDA/interest expense ratio of 3
- Minimum net assets adjust upward on currency remeasurement loss for 2008 and 2009 and adjusted downward on non-controlling interest of 7,000,000

All borrowings were repaid in accordance with its maturities.

15 Finance leases

Minimum lease payments under finance leases and their present values were as follows:

	Due in 1 year	Due between 2 and 5 years	Total
Minimum lease payments at 31 December 2009	**212,731**	**319,214**	**531,945**
Less future finance charges	(84,417)	(77,239)	(161,656)
Present value of minimum lease payments at 31 December 2009	**128,314**	**241,975**	**370,289**
Minimum lease payments at 31 December 2008	**372,778**	**489,572**	**862,350**
Less future finance charges	(130,156)	(135,610)	(265,766)
Present value of minimum lease payments at 31 December 2008	**242,622**	**353,962**	**596,584**

The Group entered into finance leases for various items of buildings and equipment (Note 5). All leases have purchase options at the end of the lease terms. In the years ended 31 December 2009 and 2008 the average imputed return rate under lease contracts amounted to 26% and 18% respectively. Finance lease payables are stated in Russian roubles except for finance leases in the amount of 237 (2008: 1,504) denominated in US dollars and finance leases in the amount of 323,223 (2008: 466,560) denominated in Euro.

16 Trade and other payables

	2009	2008
Trade payables	5,892,200	5,242,575
Payables to employees	222,441	221,857
Other liabilities and accruals	245,521	255,504
Trade and other payables	**6,360,162**	**5,719,936**

As of 31 December 2009 and 2008 trade payables are denominated mainly in Russian roubles.

Trade payables are normally settled on 30-60 days term. Payables to employees, VAT payable and payroll taxes payable are settled normally within 15-90 days after reporting date.

17 Tax liability, other than income taxes

	2009	2008
VAT payable	157,515	92,449
Payroll taxes payable	25,796	32,971
Tax liability, other than income taxes	**183,311**	**125,420**

18 Revenue

	2009	2008
Sales of goods	53,535,641	47,825,154
Sublease income	359,683	286,972
Marketing revenue	366,217	212,962
Total revenue	**54,261,541**	**48,325,088**

19 General and administrative expenses

	Note	2009	2008
Staff costs		5,346,495	4,905,469
Operating lease expenses		2,246,665	1,777,573
Depreciation of property, plant and equipment and amortisation of intangible assets	5,7	1,503,482	1,082,793
Shrinkage of inventories		1,160,875	814,624
Utilities		657,082	440,848
Repair and maintenance costs		452,243	376,599
Transportation and handling costs		261,406	299,266
Taxes other than income tax		259,974	220,276
Supplies and materials		236,266	249,712
Advertising costs		206,846	156,157
Security services		178,946	155,218
Bank charges		133,271	106,958
Amortisation of initial lease costs		99,100	92,905
Telecommunication expenses	2.4	97,580	76,170
Information, consulting and other services		96,014	115,082
Gains less losses on disposals of property, plant and equipment and intangible assets		89,654	(19,809)
Increase /(decrease) in provision for impairment of prepayments	8	37,868	(554)
Increase in provision for impairment of trade and other receivables	10	31,851	16,201
Business related (income)/expenses		30,708	27,048
Provision for impairment of assets associated with V-Mart stores		-	26,906
Provision for impairment of assets classified as held for sale	2.4	-	93,449
(Decrease)/increase in inventory allowance	9	(544)	56,231
Other operating expenses/(income)		114,099	(43,005)
Total general and administrative expenses		**13,239,881**	**11,026,117**

19 General and administrative expenses (continued)

Included in staff costs are statutory social security and pension contributions (unified social tax) of 963,379 (2008: 891,566).

Operating lease expenses relate to cancellable and non-cancellable operating leases with terms from 1 to 10 years.

Included in other operating expenses is a change in provisions for liabilities and charges in the amount of positive 25,519 (2008: 151,451) (refer to Note 23).

20 Finance Income and finance costs

	Note	2009	2008
Interest income from third parties		14,356	20,011
Interest income from related parties	4	11,222	6,920
Total finance income		**25,578**	**26,931**

	Note	2009	2008
Interest expense to third parties		835,500	572,055
Interest expense to related parties	4	9,688	7,627
Total finance costs		**845,188**	**579,682**

21 Income taxes

Income tax expense comprises the following:

	2009	2008
Current tax	497,763	525,681
Effect of change in income tax rate from 24% to 20%	-	(17,789)
Deferred income tax credit – origination and reversal of temporary differences	(76,417)	(288,721)
Income tax expense for the year	**421,346**	**219,171**

The Russian statutory income tax rate was 20% and 24% in 2009 and 2008, respectively. In 2008, the Russian Government introduced an amendment to the effective tax legislation to enact a reduction in the income tax rate from 24% to 20%. The amendment became operative on 1 January 2009. The effect of change in the tax rate on deferred tax balances as at 31 December 2008 amounted to 17,789.

21 Income taxes (continued)

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2009	2008
Profit/(loss) before income tax	**308,961**	**(104,834)**
Theoretical tax charge/(benefit) at statutory rate of 20% (2008: 24%)	61,792	(25,160)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Change of unrecognized deferred tax assets	-	(29,385)
Shrinkage of inventories	232,175	195,510
Effect of change in income tax rate from 24% to 20%	-	(17,789)
Non-deductible expenses	127,379	95,995
Income tax expense for the year	**421,346**	**219,171**

Deferred tax balances are computed by applying the statutory tax rate in effect at the reporting date to the differences between the tax basis of assets and liabilities and the amounts reported in the accompanying consolidated financial statements, and are comprised of the following as of 31 December:

	2009	2008
Deferred tax assets	**337,752**	**308,769**
Property, plant and equipment	40,272	27,421
Accounts payable and receivable	88,207	29,829
Tax losses carried forward	180,997	231,897
Less: adjustment to deferred tax asset assessment	-	-
Inventories	28,276	19,622
Deferred tax liabilities	**(350,280)**	**(397,714)**
Property, plant and equipment	(343,583)	(366,565)
Accounts payable and receivable	(4,029)	(21,996)
Inventories	(2,668)	(9,153)
Net deferred tax liability	**(12,528)**	**(88,945)**

Reflected in the consolidated statement of financial position as follows:

	2009	2008
Total Deferred tax assets	250,592	161,108
Total Deferred tax liabilities	(263,120)	(250,053)
Net deferred tax liability	**(12,528)**	**(88,945)**

Weighted average income tax rate is set at 20% (2008: 24%); it is based on the income tax rates at the Group Companies' jurisdictions. In 2009 and 2008 there were no significant income or loss generated in the companies outside of Russian Federation.

21 Income taxes (continued)

Deferred tax assets and liabilities are calculated for all temporary differences under the liability method using the principal tax rate of 20% (2008: 20%). Deferred tax assets and liabilities at 31 December 2009 and 2008 were attributable to the following:

	31 December 2008	Credited / (charged) to profit or loss	31 December 2009
Tax effect of deductible / (taxable) temporary differences and tax losses carried forward			
Accounts payable and receivable	7,833	76,346	84,179
Tax losses carried forward	231,897	(50,900)	180,997
Property, plant and equipment, and Other intangible assets	(339,144)	35,834	(303,310)
Inventories	10,469	15,137	25,606
Net deferred tax liability	**(88,945)**	**76,417**	**(12,528)**

	31 December 2007	Credited / (charged) to profit or loss	31 December 2008
Tax effect of deductible / (taxable) temporary differences and tax losses carried forward			
Accounts payable and receivable	6,978	855	7,833
Tax losses carried forward	33,790	198,107	231,897
Property, plant and equipment, and Other intangible assets	(400,339)	61,195	(339,144)
Inventories	(6,499)	16,968	10,469
Less: adjustment to deferred tax asset assessment	(29,385)	29,385	-
Net deferred tax liability	**(395,455)**	**306,510**	**(88,945)**

Temporary differences in property, plant and equipment represent timing differences due to different useful lives and fair value adjustments on business combinations. Temporary differences in inventories represent timing differences of recognition of cost of goods sold. Temporary differences in account payable and receivable represents timing differences of recognition of certain expenses and vendors rebates.

The previously unrecognised losses carry forward of nil (2008: 122,438) were used to reduce current income taxes in 2008.

Tax loss carry forwards recognised by the Group as of 31 December 2009 expire in 2018. The Group believes that the tax loss is fully recoverable before expiry date because tax loss carry forwards have arisen on entities, whose primary source of income are intragroup charges and interest income, which are under control of the Group.

The Group has not recognised a deferred tax liability in respect of taxable temporary differences of 3,263,981 (2008: 3,174,294) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

22 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

In August and October 2008 the Group repurchased 968,197 and 963,886 ordinary shares, respectively (refer to Note 12).

In October 2008 the Group issued 26,000,000 additional ordinary shares (refer to Note 12).

Earnings per share are calculated as follows:

	Note	2009	2008
Loss for the year attributable to ordinary shareholders		(111,856)	(324,112)
Weighted average number of ordinary shares in issue	12	84,067,917	64,905,121
Basic and diluted losses per ordinary share (expressed in Russian rouble per share)		**(1.33)**	**(4.99)**

23 Contingencies, commitments and operating risks

Operating environment of the group

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.

23 Contingencies, commitments and operating risks (continued)

Litigation

During 2009 the Group was involved in litigation with tax authorities in respect of tax claims arisen as a result of tax audits (2008: no litigation). The Group believes that the risk that they would not be able to defend their position in court is possible and the amount of related tax risks not recognized in these consolidated statements amounted to 80,084 as of 31 December 2009 (2008: nil).

Except for the above, in the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Capital expenditure commitments

At 31 December 2009 the Group had contractual capital expenditure commitments in respect of property, plant and equipment amounting to 79,024 (2008: 170,671).

Operating lease commitments

The Group leases premises for operation of its stores. Some of these leases are non-cancelable. These leases have remaining terms of between 2 and 10 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rental payments under non-cancelable operating leases as at 31 December were as follows:

	2009	2008
Committed to pay		
- within 1 year	1,079,403	1,085,024
- between 2 and 5 years	2,949,838	2,776,300
- more than 5 years	926,409	887,700
Total non-cancellable operating lease liabilities	**4,955,650**	**4,749,024**

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately as liabilities. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

23 Contingencies, commitments and operating risks (continued)

Tax legislation

Russian tax, currency and customs 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 are taking a more assertive position in its 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 be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceeding the year of review. Under certain circumstances reviews may cover longer periods.

The tax consequence of transactions for Russian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Rules. Accordingly, there is scope for companies to structure transactions so as to take advantage of possibilities in the Russian tax legislation to reduce the overall effective tax rate (Note 21).

In preparing these consolidated financial statements management has reflected the actual revenues and expenditures, rather than their formal characterization for statutory purposes in order to better reflect their economic substance. In this regard the benefits of certain revenue related tax savings have been included in other operating expenses net of provided taxes.

In the year ended 31 December 2006 the Group entered into arrangements with third parties and engaged in other arrangements, which resulted in tax benefits to the Group. Use of such arrangements and practices substantially ceased by the end of the first half of 2006, and by the date of these financial statements arrangements and practices of this nature no longer take place. The Group did not have any direct or indirect shareholdings in these third parties, as well as no direct influence. In general management believes that the formal documentation of the Group's transactions is sufficient to support its tax returns.

During 2008 the Group released a tax provision related to taxes other than income by 156,198 and income tax liability by 37,437. The Group accrued an additional tax provision for an unsustainable tax position related to taxes other than income of 4,747 and income tax liabilities of 8,144.

During 2009 the Group released a tax provision related to taxes other than income by 25,519 and income tax liability by 12,290, which are no longer probable to result in additional tax liabilities due to expiration of limitation period or based on the results of tax inspections. The Group accrued additional tax provisions for unsustainable tax positions related to income tax liabilities of 11,395.

As of 31 December 2009 provision for income tax liabilities and provision for taxes other than income comprised 13,939 and 7,485, respectively. Management believes that these provisions will be sufficient to cover any additional tax payments it may need to make in the future. The balances at 31 December 2009 are expected to be either utilized or released within three years.

23 Contingencies, commitments and operating risks (continued)

Tax legislation (continued)

Although historically there have been no significant liabilities arising from tax assessments, the potential for assessments over amounts provided or accrued remains. Management estimates that the order of magnitude as at 31 December 2009 of potential liabilities that have not been provided for because management believes they are less than probable, amounts to 379,828 (2008: 362,180).

24 Financial risk management

Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables and cash and cash equivalents. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default. The Group holds major portion of its cash including time deposits in banks with credit rating above BBB.

Market risk

The Group takes on exposure to market risks. Market risks arise from prices of goods sold by the Group and open positions in interest rate and currency financial instruments, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Foreign exchange risk

Foreign currency denominated assets (refer to Note 11) and liabilities (refer to Notes 14, 15) give rise to foreign exchange exposure. In 2008 the Group concluded a number of agreements with financial institutions to gain access to derivatives market, where hedging instruments are traded. The Group's treasury regularly monitors the situation in derivatives market and measure effectiveness of available hedging instruments. Group benefited from continuing strengthening of Russian Rouble against US dollar in second half of 2009 that has reduced Group's exposure to foreign exchange losses incurred during the first half of 2009. In 2009 and 2008 the Group did not enter into any derivative transactions either directly or through financial institutions.

24 Financial risk management (continued)

Foreign exchange risk (continued)

Due to significant increase of foreign exchange risks, Group's current primary objective in terms of borrowing is to raise new debt funds in the local currency for any purposes including refinancing existing debts denominated in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ and EUR exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in exchange rate	Effect on profit before tax
2009		
US$	-14.8%	652,637
EUR	-14%	45,251
US$	+14.8%	(652,637)
EUR	+14%	(45,251)
2008		
US$	-14%	(734,075)
EUR	-1%	(4,666)
US$	-32%	(1,677,886)
EUR	-18%	(83,981)

Interest rate risk

The Group's exposure to the risk of negative changes in market interest rates related to the Group's long-term bank loan with floating interest rate (refer to Note 14). In 2009 Group's interest rate risks were associated with the syndicated facility raised in 2008 and considered floating interest rate based on US LIBOR. The Company monitors and measures interest rate risk regularly. Even though interest rate risk was not hedged, the Group benefited from significant decrease of US 6 month LIBOR from 1,75% to 0,43% in 2009.

24 Financial risk management (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in LIBOR, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings). There is no other impact on the Group's equity.

	31 December 2009		31 December 2008	
	Increase/decrease in basis points	**Effect on profit before tax**	**Increase/decrease in basis points**	**Effect on profit before tax**
LIBOR	1	(40,998)	0.55	(27,183)
	-0.5	20,499	-0.55	27,183

Liquidity risk

As at 31 December 2009 the Group's current liabilities exceeded the Group's current assets by 5,395,976 (2008: 1,209,101). Typically the reason for negative working capital is the suppliers' credit being greater than the inventory turnover, generally 1.5 - 2 times. Short credit lines cover any temporary deficit and are refinanced when required.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities as at 31 December 2009 is 180,000 (2008: 100,000) and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines sufficient to support the Group's current operations and ongoing obligations.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments.

Year ended 31 December 2009	**On demand or less than 1 year**	**1 to 5 years**	**Total**
Bank loans	5,382,998	–	5,382,998
Borrowings from ultimate shareholder and parties under common control	407,395	–	407,395
Bonds	276,720	3,138,360	3,415,080
Finance lease liability	212,731	319,214	531,945
Trade and other payables	6,360,162	–	6,360,162
	12,640,006	**3,457,574**	**16,097,580**

Year ended 31 December 2008	**On demand or less than 1 year**	**1 to 5 years**	**Total**
Bank loans	1,467,673	4,232,352	5,700,025
Borrowings from ultimate shareholder and parties under common control	386,840	–	386,840
Bonds	276,720	3,415,080	3,691,800
Finance lease liability	372,778	489,572	862,350
Trade and other payables	5,719,936	–	5,719,936
	8,223,947	**8,137,004**	**16,360,951**

24 Financial risk management (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it continues efforts to reduce cost of capital and maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group's policy is to keep the Total Financial Debt/EBITDA ratio less than 3,5. The Group includes within total financial debt interest bearing loans and borrowings and finance lease liabilities, excluding discontinued operations. EBITDA is calculated as operating profit excluding depreciation of property, plant and equipment, amortization of intangible assets and dividends received.

	31 December 2009	31 December 2008
Bank Loans	5,262,600	5,334,250
Borrowings from ultimate shareholder and parties under common control	407,395	386,840
Bonds	3,079,823	3,079,063
Finance lease liabilities	370,289	596,584
Total Financial Debt	**9,120,107**	**9,396,737**
Operating profit	1,304,122	1,515,398
Depreciation of property, plant and equipment	1,424,827	1,016,863
Amortisation of intangible assets	78,655	65,930
Amortisation of initial lease costs	99,100	92,905
Provision for impairment of assets classified as held for sale	-	93,449
Provision for impairment of assets associated with V-Mart stores	-	26,906
EBITDA	**2,906,704**	**2,811,451**
Total Financial Debt/EBITDA	3.1	3.3

Simultaneously, the Group maintains optimal capital structure by tracing certain capital requirements based on ratios. The ratios are maximum level of Total Financial Debt/EBITDA, minimum level of EBITDA/Interest expense, minimum level of Net worth. These ratios are included as financial covenants into borrowing facility agreements (Note 14). The Group is in compliance with externally imposed capital requirements.

24 Financial risk management (continued)

Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements.

	31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans	153,402	153,402	150,987	150,987
Trade receivables	1,264,493	1,264,493	762,751	762,751
Other receivables	162,676	162,676	158,696	158,696
Cash and cash equivalent	1,331,856	1,331,856	1,289,799	1,289,799
Liabilities				
Bank loans	(5,262,600)	(5,262,600)	(5,334,250)	(4,786,738)
Borrowings from ultimate shareholder and parties under common control	(407,395)	(407,395)	(386,840)	(386,840)
Bonds	(3,079,823)	(2,827,823)	(3,079,063)	(2,045,400)
Finance lease liability	(370,289)	(370,289)	(596,584)	(596,584)
Trade and other payables	(6,360,162)	(6,360,162)	(5,719,936)	(5,719,936)

The fair value of borrowings except for publicly traded bonds has been calculated by discounting the expected future cash flows at prevailing interest rates. Bonds fair market value was determined based on stock exchange quotation. The fair value of other financial assets has been calculated using market interest rates.

25 Events after the reporting date

In March 2010 the Group received a three months loan from Unicredit Bank of 350,000 bearing an interest rate of MosPrime plus 2.5%.

In April 2010 the Group signed a mandate agreement for four year new borrowings facility of 200,000 thousand US dollars (6,048,840 thousand Russian rubles at reporting date exchange rate) with a syndicate of banks. This borrowing facility is subject to the banks' credit committees' final approval.

In April 2010 the Group obtained preliminary approval of credit limit in the amount of 2,500,000 from VTB.