Pro-forma Consolidated financial statements

OOO RESO-LEASING

31 December 2012

РЕСО
ЛИЗИНГ

Contents

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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To the Participants
of OOO RESO-LEASING
4, Schepkina str.,
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We have audited the accompanying pro-forma consolidated financial statements of OOO RESO-LEASING and its subsidiaries (together referred to as the "Group"), which comprise the pro-forma consolidated statement of financial position as of 31 December 2012 and the pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The accompanying pro-forma consolidated financial statements have been prepared for using the assumptions as described in Note 2.1 Principles and assumptions used for pro-forma financial statements.

Management's Responsibility for the Financial Statements

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

Grant Thornton

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the pro-forma consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the pro-forma consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the pro-forma consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 pro-forma consolidated 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 pro-forma consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton ZAO

Moscow, Russian Federation
30 April 2013

Pro-forma Consolidated Statement of Financial Position

	Notes	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Assets			
Non-current			
Goodwill	6	**671 286**	671 286
Other intangible assets	7	**3 034**	-
Property and equipment	8	**32 741**	89 498
Equipment purchased for leasing purposes		**24 742**	23 028
Net investment in finance leases	9	**3 338 807**	2 111 797
Tax assets	10	**212 355**	141 096
Deferred tax assets	11	**168 771**	202 582
Equipment held for sale	13	**17 344**	24 312
Other assets	15	**35 593**	-
		4 504 673	3 263 599
Current			
Net investment in finance leases	9	**3 948 202**	2 363 795
Trade and other receivables	12	**77 200**	118 041
Tax assets	10	**752 898**	433 517
Equipment held for sale	13	**45 742**	83 879
Financial instruments	14	-	-
Other assets	15	**375 831**	329 609
Cash and cash equivalents	16	**859 025**	147 082
		6 058 898	3 475 923
Total Assets		**10 563 571**	6 739 522
Liabilities			
Non-current liabilities excluding net assets attributable to participants			
Loans and borrowings	17	**3 839 411**	2 049 094
Deferred tax liabilities	11	**12 897**	-
		3 852 308	2 049 094
Current liabilities			
Loans and borrowings	17	**3 169 770**	1 711 620
Trade and other payables	18	**159 666**	166 979
Tax liabilities	19	**54 946**	30 494
Provisions	20	**838**	7 562
Other liabilities	21	**841 196**	512 111
		4 226 416	2 428 766
Net assets attributable to participants	22	**2 484 847**	2 261 662
Total Liabilities		**10 563 571**	6 739 522

The pro-forma consolidated financial statements were approved by Management on 30 April 2013.

General Director

OOO Reso-Leasing
A. Mokin

Finance Director

OOO Reso-Leasing
A. Kostylev

Pro-forma Consolidated Statement of Comprehensive Income

	Notes	2012 RUR' 000	2011 RUR' 000
Finance income	23	**1 456 414**	913 808
Finance cost		**(570 755)**	(297 708)
Net finance income		**885 659**	616 100
Loss on impairment	24	**(38 790)**	(56 351)
Net finance income after impairment		**846 869**	559 749
Other operating income	25	**188 236**	133 490
Net results from derecognition of finance leases		**47 125**	(4 826)
Gain on disposal of assets		**4 454**	26 445
Operating expenses	26	**(551 402)**	(412 813)
Monetary gain		**1 373**	3 032
Net result from foreign currencies		**(4 259)**	42 551
Profit before income tax		**532 396**	347 628
Income tax expense	27	**(114 087)**	(72 366)
Profit for the period attributable to participants		**418 309**	275 262
Other comprehensive income			
Changes in translation reserve	**22**	**(5 217)**	(33 152)
Other comprehensive loss for the period, net of tax		**(5 217)**	(33 152)
Total comprehensive income for the period		**413 092**	242 110
Profit for the period attributable to:			
Participants of OOO Reso-Leasing		**419 831**	276 335
Non-controlling interest	**22**	**(1 522)**	(1 073)
Total comprehensive income attributable to:			
Participants of OOO Reso-Leasing	**22**	**414 614**	243 183
Non-controlling interest	**22**	**(1 522)**	(1 073)

Pro-forma Consolidated Statement of Cash Flows

	Note	2012 RUR' 000	2011 RUR' 000
Cash flows from operating activities			
Profit for the period before taxation		**532 396**	347 628
Adjustments for:			
Depreciation and amortisation	8	**15 949**	10 872
Gain from sales of property and equipment		**(11 417)**	336
Gain from a bargain purchase of subsidiaries		**-**	(8 374)
Exchange difference on revaluation of monetary items in foreign currency		**(3)**	120 915
Monetary loss		**(513)**	(696)
Changes in accrued expenses and provisions		**22 924**	44 514
Changes in accrued income on insurance commissions	25	**(148 474)**	(65 303)
Income tax expense/(refund) from non-dividend distributions to participants		**23 401**	(19 876)
Impairment losses	24	**38 790**	56 351
Loss (gain) from fair valuation of loans and borrowings		**(10 300)**	(9 459)
Net result from foreign currencies		**4 259**	-
Utilization of provision and write-off of assets	12,14,15	**(42 690)**	(125 901)
Interest income	23	**(30 679)**	(21 270)
Interest expense		**570 755**	297 708
		964 398	627 445
Net increase of investments in finance lease		**(2 813 687)**	(1 905 119)
Net increase of equipment acquired for leasing purposes		**(1 956)**	(2 513)
(Increase)/decrease in trade and other receivables		**53 173**	(116 059)
Increase in tax and other assets		**(426 324)**	(180 718)
(Increase)/decrease in equipment held for sale		**(12 886)**	126 294
(Decrease)/increase in trade and other payables		**(35 768)**	19 924
Increase in tax and other liabilities		**317 629**	157 228
Interest paid		**(546 995)**	(319 992)
Income tax paid		**(55)**	(14 307)
Net cash used in operating activities		**(2 502 471)**	(1 607 817)

Pro-forma Consolidated Statement of Cash Flows (continued)

	Note	2012 RUR' 000	2011 RUR' 000
Cash flows from investing activities			
Cash acquired on acquisition of subsidiary, net		-	18 343
Proceeds from disposals of property and equipment		**81 833**	767
Sales of securities		-	67 346
Disposal of other financial instruments		-	1 585
Interest income received		**20 185**	13 527
Purchase of property and equipment		**(62 598)**	(14 603)
Purchase of intangible assets		**(3 034)**	-
Net cash from investing activities		**36 386**	86 965
Cash flows from financing activities			
Net receipt of loans and borrowings		**3 260 441**	1 563 455
Net repayment of finance lease liabilities		**(541)**	(546)
Repayment of participant's share		**(16 053)**	-
Non-dividend distribution to participants		**(63 354)**	(91 365)
Net cash from financing activities		**3 180 493**	1 471 544
Effect of exchange rate changes on cash and cash equivalents		**(2 465)**	(11 243)
Net increase in cash and cash equivalents		**711 943**	(60 551)
Cash and cash equivalents at beginning of period	16	**147 082**	207 633
Cash and cash equivalents at the end of the period	16	**859 025**	147 082

1. Background

1.1 Principal activities

For the purposes of these pro-forma consolidated financial statements, RESO-LEASING Group consists of OOO RESO-LEASING ("the Company"), its 99,675% owned subsidiary SOOO RESO-BELLEASING and its 99% owned subsidiary OOO RESOTRUST (together referred to as "the Group"). The primary activity of the Group is provision of various equipment in the form of finance leases to companies domiciled in Russia and Belarus.

The Parent Company is a limited liability company incorporated and domiciled in the Russian Federation. The address of its registered office is 6, str. 8, Nagorny proezd, Moscow, Russian Federation.

As of 31 December 2012 the Company is owned by Reso Investments Limited (100%), a Cyprus registered company, which is in turn indirectly controlled by S.Sarkisov (50%) and N.Sarkisov (50%).

In 2011 0,503% share in the Company was owned by OOO Holding Company Reso and the remaining shareholding was owned by Reso Investments Limited. In 2012 OOO Holding Company Reso withdrew from the participants of the Company, selling their 0,503% share to the Company for the RUR 16 053 thousand. (Note 22).

Average number of employees of the Group during 2012 was 404 (2011: 326).

1.2 Russian business environment

Whilst there have been improvements in recent years in the economic situation, the Russian Federation still experience political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. The accompanying pro-forma consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation

2.1 Principles and assumptions used for pro-forma consolidated financial statements

The pro-forma consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), using the following assumptions:

- It has been assumed that on 22 July 2009 the Group did not purchase 100% shareholding interest of OJSC Bank RESO Credit for RUR 565 000 thousand.
- It has been assumed that on 23 July 2009 the Group did not attract non-current loan from related party OOO Holding Company Reso in the amount of RUR 565 000 thousand for the purposes of financing of the acquisition of OJSC Bank RESO Credit.
- It has been assumed that accrued interest expenses in the amount of RUR 43 257 thousand (2011: RUR 42 800 thousand) on this loan were not recognized in the pro-forma consolidated statement of comprehensive income.
- It has been assumed that partial payments of interest on this loan in the amount of RUR 1 857 thousand (2011: nil) are non-dividend distribution to participants and savings on current income tax in the amount of RUR 8 279 thousand (2011: RUR 8 560 thousand) are deductions from non-dividend distribution to participants.

2. Basis of preparation (continued)

2.1 Principles and assumptions used for pro-forma consolidated financial statements (continued)

- It has been assumed that the Group was entitled to receive insurance commissions from its related party OSAO RESO Garantia for the insurance business originated by the Company at the rate equal to 30% (2011: 20%) of insurance premiums paid to OSAO RESO Garantia. This commission in the amount of RUR 148 474 thousand (Notes 25, 30.3) (2011: RUR 65 303 thousand) net of corporate profit tax savings in the amount of RUR 29 695 thousand (2011: RUR 13 061 thousand) were recognised as non-dividend distributions to participants.

2.2 Going concern

These pro-forma consolidated financial statements have been prepared on a going concern basis, which assumes the realisation of assets and the settlement of liabilities in the normal course of business.

2.3 Basis of measurement

The pro-forma consolidated financial statements are prepared on the historical or amortised cost basis.

The Company and its subsidiaries domiciled in Russian Federation maintain its accounting records in Russian Roubles ("RUR") and prepare its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation.

The subsidiaries domiciled in Belarus Republic maintain its accounting records in Belarus Roubles ("BYR") and prepare its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Belarus Republic.

The pro-forma consolidated financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.4 Functional and presentation currency

The presentation currency used in the preparation of these pro-forma consolidated financial statements is the Russian Rouble ("RUR").

The functional currency of Russian entities of the Group is the Russian Rouble ("RUR") and Belarus Rouble ("BYR") for the Belorussian entity. Management considers that the RUR reflects the economic substance of the underlying events and circumstances relevant to the Group in Russia.

In translating to the RUR, assets and liabilities that are included in the pro-forma consolidated statement of financial position have been translated at the foreign exchange rate ruling at the date of the pro-forma consolidated statement of financial position. All income and expense and equity items have been translated at a rate approximating rates at the dates of the transactions. The resulting exchange difference is recorded in the foreign currency translation reserve.

Financial information presented in RUR has been rounded to the nearest thousand.

2. Basis of preparation (continued)

2.5 Critical accounting estimates and judgments

The preparation of pro-forma consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

- Note 3 "Summary of Significant accounting policies" (3.9 "Impairment") and Note 9 "Net investment in finance leases" in respect of lease impairment allowance;
- Note 12 "Trade and other receivables" in respect of trade and other receivables impairment allowance;
- Note 3.15 "Taxation" and Note 11 "Deferred tax assets and liabilities" in respect of recognition of deferred tax assets and liabilities;
- Note 20 "Provisions" and Note 29.1 "Litigation" in respect of pending litigations;
- Note 29.2 "Taxation contingencies" in respect of tax contingencies.

2.6 Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the pro-forma consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquired subsidiaries of the Group are consolidated using the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the pro-forma consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. The cost of acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, including cost directly attributable to the acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the pro-forma consolidated statement of comprehensive income.

2.7 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the pro-forma consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

2. Basis of preparation (continued)

2.8 Classification of the Belarus Republic as a hyperinflationary economy

Throughout 2011 a number of factors arose in the Belarus Republic economy that led Group to reconsider the treatment it follows with respect to the translation of the financial statements of SOOO RESO-BelLeasing. Within these factors it is worth highlighting the level of inflation reached in 2011 and the cumulative inflation over the last three years and the restrictions to the official foreign exchange market.

As a result, in accordance with IFRS, the Belarus Republic must be considered a hyperinflationary economy in 2012. The main implication of this is as follows:

- Adjustment of the historical cost of non-monetary assets and liabilities and the various items of equity of SOOO RESO-BelLeasing from the date of acquisition or inclusion in the pro-forma consolidated statement of financial position to the end of the period to reflect the changes in purchasing power of the currency caused by inflation.
- Adjustment of the pro-forma consoidated statement of comprehensive income to reflect the financial loss caused by the impact of inflation in the period on net monetary assets (loss of purchasing power).
- The various components of the pro-forma consolidated statement of comprehensive income and pro-forma consolidated statement of cash flows have been adjusted for the inflation index since their generation, with a balancing entry in financial results and a reconciling item in the pro-forma consolidated statement of cash flows, respectively.
- All components of the financial statements of SOOO RESO-BelLeasing have been translated at the closing exchange rate, which at 31 December 2012 was 282 Belorussian roubles per Russian rouble (31 December 2011: 261).

The main effects on the Group's pro-forma consolidated financial statements for the year ended 31 December 2012 derived from the items mentioned above are as follows:

	RUR' 000
Finance income	258
Operating expenses	(1 717)
Monetary gain	1 373

3. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the pro-forma consolidated financial statements. The accounting policies have been consistently applied.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the end of the reporting period are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the pro-forma consolidated statement of comprehensive income.

3.2 Goodwill

Goodwill represents the excess of acquisition cost in the business over the fair value of the Group's share of the identifiable net asset acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating unit and is not amortised but is tested annually for impairment. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the pro-forma consolidated statement of comprehensive income.

3.3 Property and equipment

Equipment, furniture, fixture and fittings are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of the self-constructed assets includes the cost of materials, direct labour and an appropriate portion of production overhead. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the pro-forma consolidated statement of comprehensive income as an expense as incurred.

Depreciation is charged to the pro-forma consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Buildings	20 – 35 years
Machinery and equipment	3 – 7 years
Furniture, fixture and fittings	3 – 5 years
Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the end of the reporting period.

3. Summary of significant accounting policies (continued)

3.4 Assets held for sale

Assets are classified in the pro-forma consolidated statement of financial position as assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months from the date of classification. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Assets held for sale in the current period's pro-forma consolidated statement of financial position are not reclassified or re-presented in the comparative pro-forma consolidated statement of financial position to reflect the classification at the end of the current period.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

3.5 Other intangible assets

Other intangible assets include computer software, licenses and other identifiable intangible assets acquired in business combinations.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years). Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years). Costs associated with maintaining computer software are expensed as incurred.
The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Amortisation is charged to the pro-forma consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Such intangible assets are systematically tested for impairment at each date of the end of the reporting period. Other intangible assets are amortised from the date they are available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

3.6 Leases

Balances receivable under finance lease agreements are carried at the value of the net investment in the lease which is calculated as the aggregate of the outstanding lease installments plus any residual value accruing to the Group less unearned finance income. Finance income represents the difference between the costs of providing the leased asset and the aggregate expected future cash inflows arising from the minimum contracted lease installments payable by the lessee and any residual value accruing to the Group at the end of the lease term. The finance income is apportioned over the term of the finance lease so as to reflect a constant periodic rate of return on the net investment outstanding.

A finance lease, including all resulting assets, liabilities, income or expenses, is recognised in the Group's accounts when a lessee is entitled to exercise its right to use the leased asset.

3. Summary of significant accounting policies (continued)

3.6 Leases (continued)

Assets leased under finance lease arrangements are carried on the lessees' accounts. Customs duties, insurance, transportation and other costs incurred in making the asset available to the lessee are excluded from lease payments and accordingly are not charged to the Group's pro-forma consolidated statement of comprehensive income. Any advance payments made by the lessee are recorded as a reduction in the net investment in the lease.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

3.8 Financial instruments

The Group classified its financial instruments into the following categories: financial instruments at fair value through profit or loss, loans and receivables, held to maturity financial instruments. Financial instruments are assigned to the different categories by management on initial recognition, depending on the purpose for which the investment were acquired. The designation of financial instruments is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

Financial assets and liabilities are recognised in the pro-forma consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date. Financial instruments are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. An assessment for impairment is undertaken at least at each date of the end of the reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial instruments at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified in this category if acquired or incurred principally for the purpose of selling or repurchasing in the near term, or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or is a derivative (except for a derivative that is designated and effective hedging instrument), or upon initial recognition, designated by management as at fair value through profit or loss. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Subsequent to initial recognition, the financial instruments included in this category are measured at fair value with changes in fair value recognised in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if there is an intention and ability of the Group's management to hold them until maturity.

3. Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

The fair value of all financial instruments is based on their quoted market price at the date of the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the date of the end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the date of the end of the reporting period. The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the date of the end of the reporting period taking into account current market conditions and the current creditworthiness of the counterparties.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or substantially all of the risks and rewards of ownership have been transferred. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

3.9 Impairment

The carrying amounts of the Group's financial assets carried at amortised cost and non financial assets, excluding deferred tax assets, are reviewed at each date of the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Financial assets carried at amortised cost
The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. Summary of significant accounting policies (continued)

3.9 Impairment (continued)

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivables original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the pro-forma consolidated statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Non financial assets
Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.
All impairment losses in respect of non financial assets are recognized in the pro-forma consolidated statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Group's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for Group's impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Group's management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

3. Summary of significant accounting policies (continued)

3.10 Offsetting

Financial assets and liabilities are offset and the net amount reported in the pro-forma consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.11 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.12 Debt securities issued

Debt securities are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, debt securities in issue are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the pro-forma consolidated statement of comprehensive income over the period of the security issue using the effective interest rate method.

3.13 Net assets attributable to participants

Under the Company's Charter, each participant has the unilateral right to withdraw from the company, in which case the company would be obliged to pay such withdrawing participant's share of the net assets at the time of withdrawal no later than six months after the end of the year of withdrawal.

Dividends distributions are recognised as a liability and deducted from equity at the date of the end of the reporting period only if they are declared before or on the date of the end of the reporting period. Dividends are disclosed when they are proposed or declared after the date of the end of the reporting period but before the pro-forma consolidated financial statements are authorised for issue.

3.14 Employee benefits

In the normal course of business the Company and its subsidiaries domiciled in Russian Federation contribute to the Russian Federation state pension scheme on behalf of its employees. Its subsidiary domiciled in Belarus contributes to the National state pension scheme on behalf of its employees.

Mandatory contributions to the governmental pension scheme are expensed when incurred.

3. Summary of significant accounting policies (continued)

3.15 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the pro-forma consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in net assets, attributable to participants, in which case it is recognised in net assets, attributable to participants.

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

Deferred tax is provided using the pro-forma consolidated statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised of the liability settled, based on the tax rates that have been enacted or substantively enacted at the date of the end of the reporting period.

3.16 Value Added Tax

Value added tax related to sales is payable to tax authorities upon accrual of revenue from services rendered to customers. Input VAT is generally reclaimable against sales VAT upon accrual for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the date of the end of the reporting period (VAT deferred) is recognised in the pro-forma consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.17 Finance income

Finance income comprises income on finance lease and interest receivable on funds invested recognised in the pro-forma consolidated statement of comprehensive income.

3.18 Finance costs

Finance costs comprise interest payable on borrowings and other costs incurred in connection with borrowings recognised in the pro-forma consolidated statement of comprehensive income.

3.19 Hyperinflation

In 2011 Belorussian subsidiary of the Group adopted IAS 29, Financial Reporting in Hyperinflationary Economies. The inflation adjusted financial information are stated in terms of current Belorussian roubles at balance sheet date using the Consumer Price Index (CPI) for Belarus Republic supplied by the Central Statistical Office.

One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three-year inflation rate approaching or exceeding 100 per cent. The restatement has been calculated by means of conversion factors derived from the CPI. The indices used to restate the accompanying financial statements at 31 December 2012 are as follows:

Index for revaluation of non-monetary assets and liabilities	1,05 – 3,96
Index for revaluation of income statement and cash flows	1,10

3. Summary of significant accounting policies (continued)

3.19 Hyperinflation (continued)

The main procedures applied for the above restatement are as follows:

Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of measuring unit current at the balance sheet date.

Monetary assets and liabilities that are carried at amount current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items comprise cash held and items to be recovered or paid in cash.

Non monetary assets and liabilities that are not carried at amount current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.

All items in the income statement are restated by applying the relevant monthly, yearly average or year end conversion factors with the exception of depreciation expense, impairments of assets, profit or loss on disposal of property, plant and equipment and net exchange gains or losses.

Depreciation expense, profit or loss on disposal of property, plant and equipment are based on the restated carrying amount of property, plant and equipment and restated disposal proceeds while impairment of assets is based on the restated carrying amounts of the assets.

Net exchange gains or losses are based on the restated opening carrying amount of the foreign cash balances against the closing balances at the closing exchange rate.

The effect on the net monetary position of the Group is included in the pro-forma consolidated statement of comprehensive income as a monetary adjustment.

The monetary adjustment reflects the net loss or gain in purchasing power that arises as a relationship of net monetary assets and monetary liabilities.

The application of the IAS 29 restatement procedures has the effect of amending certain of the accounting policies, which are used in the preparation of the financial statements under the historical cost convention. The amended policies include:

- Property, plant and equipment
- Assets held for sale

4. New Standards and Interpretations

4.1 New standards and interpretations effective in the current period

The Group has adopted the following new or revised standards and interpretations issued by IASB and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Group's annual consolidated financial statements for the year ended 31 December 2012:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011) – the amendments increase disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset;
- Amendments to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012) – the amendments provide (for income tax calculation purposes) a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will, normally, be through sale.

The adoption of these new or revised standards did not have a material effect on the financial position or performance of the Group.

4.2 New standards and interpretations not yet adopted

At the date of authorization of these pro-forma consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's pro-forma consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's pro-forma consolidated financial statements:

- **IFRS 9 "Financial Instruments"** – The IASB aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. Management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards
A package of new consolidation standards is effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. Management has not yet completed its assessment of the impact of these new and revised standards on the Group's consolidated financial statements.

4. New Standards and Interpretations (continued)

4.2 New standards and interpretations not yet adopted (continued)

- ***IFRS 10 "Consolidated Financial Statements"*** – supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees at 31 December 2012.

- ***IFRS 11 "Joint Arrangements"*** – supersedes IAS 31 "Interests in Joint Ventures". It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

- ***IFRS 12 "Disclosure of Interests in Other Entities"*** – integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- ***Transition guidance for IFRS 10, 11, 12*** – Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The new guidance is also effective for annual periods on or after 1 January 2013.

- ***Consequential amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"*** – IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

- **IFRS 13 "Fair Value Measurement"** – clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will not change the current presentation of items in other comprehensive income and will not affect the measurement or recognition of such items.

4. New Standards and Interpretations (continued)

4.2 New standards and interpretations not yet adopted (continued)

- **Amendments to IAS 19 "Employee Benefits"** – include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:
  - eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period;
  - changes the measurement and presentation of certain components of defined benefit cost;
  - enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

- **Amendments to IAS 32 "Financial Instruments: Presentation"** – add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:
  - the meaning of 'currently has a legally enforceable right of set-off';
  - that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

- **Amendments to IFRS 7** – add qualitative and quantitative disclosures to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

- **Annual Improvements 2009-2011 (the Annual Improvements)** – the Annual Improvements made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented);
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements;
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

4. New Standards and Interpretations (continued)

4.2 New standards and interpretations not yet adopted (continued)

Tax effect of distribution to holders of equity instruments:

- addresses a perceived inconsistency between IAS 12 and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction;
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Group's pro-forma consolidated financial statements from these Amendments.

5. Acquisition of subsidiaries

On 29 June 2011 ultimate shareholders transferred to RESO-LEASING LLC 100% shareholding interest in K-Finance LLC by the merger in the form of accession. The principal activities of K-Finance are sale of motor vehicles and their maintenance. Effective control over K-Finance commenced on 30 June 2011.

The acquisition was recorded under the purchase method of accounting. The assessment of fair values of the acquired assets and liabilities was performed by Management and the effect of this acquisition on the Group's financial position and results of operations is disclosed accordingly.

A summary of fair values of assets and liabilities of K-Finance at the date of acquisition is presented as follows:

	Fair value of assets and liabilities of K-Finance as of 30 June 2011 RUR' 000
Assets	
Property and equipment	77 351
Deferred tax assets	143 199
Trade and other receivables	11 682
Tax assets	12 513
Equipment held-for-sale	33 464
Other assets	28 349
Cash and cash equivalents	18 343
	324 901
Liabilities	
Financial liabilities	276 329
Trade and other payables	16 586
Tax liabilities	1 685
Provisions	4 349
Other liabilities	17 513
	316 462
Net identifiable assets	**8 439**
Share of the Group in the net identifiable assets	**100%**
Share of net assets transferred to the owners of subsidiary	**0,003%**
Value of group net assets attributable to participants before acquisition	**2 169 887**
Consideration paid	**65**
Gain from a bargain purchase	**8 374**

6. Goodwill

On 18 December 2008 the Company purchased 99% shareholding interest of OOO RESOTRUST for RUR 1 371 991 thousand. The primary activity of OOO RESOTRUST is provision of various equipment and vehicles in the form of finance leases to companies domiciled in Russia. Effective control over OOO RESOTRUST commenced from 31 December 2008.

The acquisition was recorded under the purchase method of accounting. The assessment of fair values of the acquired assets and liabilities was performed by Management and the effect of this acquisition on the Group's financial position and results of operations is disclosed accordingly. No acquirees' revenue and loss were included in the Group's profit for the year 2008 since effective control over OOO RESOTRUST commenced from 31 December 2008.

Goodwill arisen on acquisition of OOO RESOTRUST in the amount of RUR 671 286 thousand is attributed to the sales force, cost synergy effect and customer relationships that did not meet the criteria for recognition as a separate intangible asset at the date of acquisition.

For the purposes of impairment testing, the Group has allocated the goodwill to the cash generating unit consisting of OOO RESO-LEASING and OOO RESOTRUST. As of 31 December 2012, the recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management covering five-years period. The terminal value is based on the expected cash flows of the final year of the budgeted period. The discount rate applied to cash flow projections is 15,5%.

As a result of the goodwill impairment testing, the recoverable amount of the cash generating unit is higher than the carrying value of net identifiable assets including goodwill. Therefore, no impairment loss was recognised as of 31 December 2012.

7. Other intangible assets

In thousands of RUR	Assets under development RUR' 000
Cost	
1 January 2012	-
Additions	3 034
31 December 2012	**3 034**
Amortisation	
At 1 January 2012	-
Amortisation charge	-
31 December 2012	**-**
Carrying value	
31 December 2012	**3 034**
31 December 2011	-

7. Other intangible assets (continued)

In thousands of RUR	Acquired software licenses RUR' 000
Cost	
1 January 2011	8 117
Additions	-
Write-off	(8 117)
31 December 2011	-
Amortisation	
At 1 January 2011	7 752
Amortisation charge	142
Write-off	(7 894)
31 December 2011	-
Carrying value	
31 December 2011	-
31 December 2010	365

8. Property and equipment

In thousands of RUR	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
Cost or revaluation cost						
1 January 2012	58 178	14 593	48 493	2 331	182	123 777
Additions	-	2 754	24 233	496	-	27 483
Disposals	(58 178)	(7 602)	(24 890)	(1 120)	(182)	(91 972)
Revaluation according to IAS 29	-	84	271	160	-	515
Effect of translation to presentation currency	-	(49)	(80)	(36)	-	(165)
31 December 2012	**-**	**9 780**	**48 027**	**1 831**	**-**	**59 638**
Depreciation and impairment						
1 January 2012	4 605	10 005	18 152	1 517	-	34 279
Depreciation charge (Note 26)	357	1 929	13 436	227	-	15 949
Disposals	(4 963)	(5 583)	(9 977)	(1 034)	-	(21 557)
Reversal of provision (Note 24)	-	-	(2 162)	-	-	(2 162)
Revaluation according to IAS 29	-	56	343	82	-	481
Effect of translation to presentation currency	1	(34)	(52)	(8)	-	(93)
31 December 2012	**-**	**6 373**	**19 740**	**784**	**-**	**26 897**
Carrying value						
31 December 2012	**-**	**3 407**	**28 287**	**1 047**	**-**	**32 741**
31 December 2011	53 573	4 588	30 341	814	182	89 498

8. Property and equipment (continued)

In thousands of RUR	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
Cost or revaluation cost						
1 January 2011	-	4 081	13 338	897	-	18 316
Additions	-	1 325	12 868	228	182	14 603
Disposals	-	(202)	(1 770)	(136)	-	(2 108)
Acquisition of subsidiary	58 178	9 427	24 185	1 383	-	93 173
Revaluation according to IAS 29	-	371	628	241	-	1 240
Effect of translation to presentation currency	-	(409)	(756)	(282)	-	(1 447)
31 December 2011	58 178	14 593	48 493	2 331	182	123 777
Depreciation and impairment						
1 January 2011	-	2 989	3 322	263	-	6 574
Depreciation charge (Note 26)	536	1 330	8 543	321	-	10 730
Disposals	-	(202)	(890)	(136)	-	(1 228)
Acquisition of subsidiary	4 069	5 809	4 909	1 035	-	15 822
Charge of provision (Note 24)	-	-	2 162	-	-	2 162
Revaluation according to IAS 29	-	258	406	59	-	723
Effect of translation to presentation currency	-	(179)	(300)	(25)	-	(504)
31 December 2011	4 605	10 005	18 152	1 517	-	34 279
Carrying value						
31 December 2011	53 573	4 588	30 341	814	182	89 498
31 December 2010	-	1 092	10 016	634	-	11 742

9. Net investment in finance leases

The gross investment in the lease and present value of minimum lease installments receivable at the date of the end of the reporting period are presented as follows:

Denominated in currency:	31 December 2012 RUR RUR' 000	31 December 2012 USD RUR' 000	31 December 2012 EUR RUR' 000	31 December 2012 Total RUR' 000
Lease installments receivable in less than 1 year	**5 017 997**	**126 397**	**56 451**	**5 200 845**
Lease installments receivable in 2 to 5 years	**3 777 501**	**75 953**	**50 613**	**3 904 067**
Lease installments receivable in more than 5 years	**-**	**-**	**-**	**-**
Total gross investment in finance leases	**8 795 498**	**202 350**	**107 064**	**9 104 912**
Less unearned finance income	**(1 752 710)**	**(34 985)**	**(21 641)**	**(1 809 336)**
	7 042 788	**167 365**	**85 423**	**7 295 576**
Less impairment of lease installments receivable	**(8 567)**	**-**	**-**	**(8 567)**
Total net investment in finance leases after impairment	**7 034 221**	**167 365**	**85 423**	**7 287 009**

Denominated in currency:	31 December 2011 RUR RUR' 000	31 December 2011 USD RUR' 000	31 December 2011 EUR RUR' 000	31 December 2011 Total RUR' 000
Lease installments receivable in less than 1 year	3 004 768	117 040	28 639	3 150 447
Lease installments receivable in 2 to 5 years	2 371 984	70 693	29 511	2 472 188
Lease installments receivable in more than 5 years	-	-	-	-
Total gross investment in finance leases	5 376 752	187 733	58 150	5 622 635
Less unearned finance income	(1 063 536)	(33 468)	(13 638)	(1 110 642)
	4 313 216	154 265	44 512	4 511 993
Less impairment of lease installments receivable	(35 577)	(824)	-	(36 401)
Total net investment in finance leases after impairment	4 277 639	153 441	44 512	4 475 592

9. Net investment in finance leases (continued)

The liquidity of the net investment in the lease can be presented as follows:

Denominated in currency:	31 December 2012 RUR RUR' 000	31 December 2012 USD RUR' 000	31 December 2012 EUR RUR' 000	31 December 2012 Total RUR' 000
Lease installments receivable in less than 1 year	**5 017 997**	**126 397**	**56 451**	**5 200 845**
Less unearned finance income	**(1 206 487)**	**(25 369)**	**(13 928)**	**(1 245 784)**
	3 811 510	**101 028**	**42 523**	**3 955 061**
Less impairment of lease installments receivable	**(6 859)**	**-**	**-**	**(6 859)**
Current net investment in finance leases	**3 804 651**	**101 028**	**42 523**	**3 948 202**
Lease installments receivable in 2 to 5 years	**3 777 501**	**75 953**	**50 613**	**3 904 067**
Less unearned finance income	**(546 223)**	**(9 616)**	**(7 713)**	**(563 552)**
	3 231 278	**66 337**	**42 900**	**3 340 515**
Less impairment of lease installments receivable	**(1 708)**	**-**	**-**	**(1 708)**
Non-current net investment in finance leases	**3 229 570**	**66 337**	**42 900**	**3 338 807**
Total net investment in finance leases after impairment	**7 034 221**	**167 365**	**85 423**	**7 287 009**

9. Net investment in finance leases (continued)

Denominated in currency:	31 December 2011 RUR RUR' 000	31 December 2011 USD RUR' 000	31 December 2011 EUR RUR' 000	31 December 2011 Total RUR' 000
Lease installments receivable in less than 1 year	3 004 768	117 040	28 639	3 150 447
Less unearned finance income	(723 494)	(22 964)	(8 240)	(754 698)
	2 281 274	94 076	20 399	2 395 749
Less impairment of lease installments receivable	(31 130)	(824)	-	(31 954)
Current net investment in finance leases	2 250 144	93 252	20 399	2 363 795
Lease installments receivable in 2 to 5 years	2 371 984	70 693	29 511	2 472 188
Less unearned finance income	(340 042)	(10 504)	(5 398)	(355 944)
	2 031 942	60 189	24 113	2 116 244
Less impairment of lease installments receivable	(4 447)	-	-	(4 447)
Non-current net investment in finance leases	2 027 495	60 189	24 113	2 111 797
Total net investment in finance leases after impairment	4 277 639	153 441	44 512	4 475 592

The effective interest rate implicit in finance leases is approximately 27,66% per annum for RUR denominated contracts; 25,96% per annum for USD denominated contracts; and 25,47% per annum for EUR denominated contracts (2011: 26,56% for RUR denominated contracts; 24,25% for USD denominated contracts; 16,92% for EUR denominated contracts). Lease payments are usually receivable by monthly installments.

The maximum exposure to credit risk concerning net investment in finance leases at the reporting date is the carrying value of lease installments receivable mentioned above. The Group holds title of leased out equipment during the lease as security for lessees' liabilities for finance leases.

9. Net investment in finance leases (continued)

Lease installments receivable that are past due for less than 3 months are usually not considered impaired. All of the Group's net investment in finance leases have been reviewed for indicators of impairment. Certain lease installments receivable were found to be impaired and provision for impairment in the amount of RUR 8 567 thousand (31 December 2011: RUR 36 401 thousand) was created. The impaired receivables are mostly due from companies that are experiencing financial difficulties. If any payment under a lease agreement of a lessee was past due as of 31 December 2012, all lease installments receivable from such lessee were considered past due starting from the first date of failure to pay.

The ageing of these lease installments receivable and its impairment is as follows:

31 December 2012	Contracted amount RUR' 000	Impairment RUR' 000	**Carrying amount RUR' 000**
Lease installments receivable not past due	6 488 226	-	**6 488 226**
Past due not more than 1 month	605 738	-	**605 738**
Past due more than 1 month but less than 3 months	132 376	-	**132 376**
Past due more than 3 months but less than 6 month	49 051	(4 355)	**44 696**
Past due more than 6 months but less than 1 year	16 982	(3 413)	**13 569**
Past due more than 1 year	3 203	(799)	**2 404**
	7 295 576	(8 567)	**7 287 009**

31 December 2011	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Lease installments receivable not past due	3 685 457	-	3 685 457
Past due not more than 1 month	504 115	-	504 115
Past due more than 1 month but less than 3 months	191 994	-	191 994
Past due more than 3 months but less than 6 month	46 822	(8 673)	38 149
Past due more than 6 months but less than 1 year	17 100	(4 743)	12 357
Past due more than 1 year	66 505	(22 985)	43 520
	4 511 993	(36 401)	4 475 592

The movement of gross investments in lease is as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Gross investments in lease at the beginning of the year	**5 622 635**	3 451 065
Gross investment in new leases	**10 329 182**	6 201 486
Repayment of gross investments in lease	**(6 833 904)**	(3 959 005)
Transfer to another group	**(13 001)**	(70 911)
Gross investments in lease at the end of the period	**9 104 912**	5 622 635

9. Net investment in finance leases (continued)

Movements in the provision for impairment of net investment in finance leases are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Balance at the beginning of the year	**36 401**	81 355
Charge for the period (Note 24)	**7 768**	15 256
Reversal of the provision (Note 24)	**(20 918)**	(25 177)
Transfer to another group (Note 12,15)	**(14 616)**	(35 033)
Effect of translation to presentation currency	**(68)**	-
Balance at the end of the period	**8 567**	36 401

At the end of the lease term all unpaid overdue lease payments are transferred to Trade and other receivables. In case of termination of a lease agreement if leased property was not returned by the lessee the residual value of equipment equal to net investment in lease is transferred to Other assets.

10. Tax assets

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Non-current		
VAT to be reclaimed	**212 355**	141 096
	212 355	141 096
Current		
VAT to be reclaimed	**733 227**	398 041
Income tax receivable	**18 278**	34 108
Other tax prepayments	**1 393**	1 368
	752 898	433 517
Total tax assets	**965 253**	574 613

11. Deferred tax assets and liabilities

In thousands of RUR	**Assets** **31 December 2012**	Assets 31 December 2011	**Liabilities** **31 December 2012**	Liabilities 31 December 2011	**Net** **31 December 2012**	Net 31 December 2011
Property and equipment	53	33	(337)	(7 011)	**(284)**	(6 978)
Other intangible assets	-	-	(60)	-	**(60)**	-
Financial instruments	22 023	20 008	-	-	**22 023**	20 008
Net investment in finance leases	642	1 238	(117 808)	(60 253)	**(117 166)**	(59 015)
Trade and other receivables	58 789	63 177	-	-	**58 789**	63 177
Equipment held for sale	29 322	18 207	-	(32)	**29 322**	18 175
Equipment for leasing purposes	-	-	(41)	(97)	**(41)**	(97)
Other current assets	26 836	30 945	-	-	**26 836**	30 945
Loans and borrowings	-	103	(2 060)	(1 892)	**(2 060)**	(1 789)
Provisions	167	1 512	-	-	**167**	1 512
Trade and other payables	19 664	12 012	-	-	**19 664**	12 012
Other liabilities	-	-	(1 903)	-	**(1 903)**	-
Tax losses carried forward	120 587	124 632	-	-	**120 587**	124 632
	278 083	271 867	(122 209)	(69 285)	**155 874**	202 582

11. Deferred tax assets and liabilities (continued)

In thousands of RUR	Assets		Liabilities		Net	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Property and equipment	33	1	(7 011)	(280)	(6 978)	(279)
Financial instruments	20 008	31 024	-	(9)	20 008	31 015
Net investment in finance leases	1 238	4 163	(60 253)	(24 305)	(59 015)	(20 142)
Trade and other receivables	63 177	29 989	-	-	63 177	29 989
Equipment held for sale	18 207	8 022	(32)	(344)	18 175	7 678
Equipment for leasing purposes	-	-	(97)	-	(97)	-
Other current assets	30 945	38 451	-	-	30 945	38 451
Loans and borrowings	103	5	(1 892)	(4 348)	(1 789)	(4 343)
Provisions	1 512	2 227	-	-	1 512	2 227
Trade and other payables	12 012	3 750	-	-	12 012	3 750
Tax losses carried forward	124 632	-	-	-	124 632	-
	271 867	117 632	(69 285)	(29 286)	202 582	88 346

The applicable deferred tax rate for the Company and its subsidiaries domiciled in the Russian Federation is 20% (2011: 20%). The applicable deferred tax rate for subsidiaries domiciled in Belarus Republic is 18% (2011: 18%).

Movements in temporary differences during 2012 year are as follows:

In thousands of RUR	**Balance 1 January 2012**	**Recognised in compre-hensive income**	**Effect of translation**	**Balance 31 December 2012**
Property and equipment	(6 978)	6 697	(3)	**(284)**
Other intangible assets	-	(60)	-	**(60)**
Financial instruments	20 008	2 017	(2)	**22 023**
Net investment in finance leases	(59 015)	(59 147)	996	**(117 166)**
Trade and other receivables	63 177	(4 349)	(39)	**58 789**
Equipment held for sale	18 175	11 146	1	**29 322**
Equipment for leasing purposes	(97)	49	7	**(41)**
Other current assets	30 945	(4 017)	(92)	**26 836**
Loans and borrowings	(1 789)	(263)	(8)	**(2 060)**
Provisions	1 512	(1 345)	-	**167**
Trade and other payables	12 012	7 715	(63)	**19 664**
Other current liabilities	-	(1 903)	-	**(1 903)**
Tax losses carried forward	124 632	(4 045)	-	**120 587**
	202 582	(47 505)	797	**155 874**

Recognised as:

Deferred tax asset	202 582	**168 771**
Deferred tax liability	-	**(12 897)**

11. Deferred tax assets and liabilities (continued)

Movements in temporary differences during 2011 are as follows:

In thousands of RUR	Balance 1 January 2011	Recognised in compre-hensive income	Effect of change in tax rate	Acquisition of subsidiary	Effect of translation	Balance 31 December 2011
Property and equipment	(279)	825	-	(7 523)	(1)	(6 978)
Financial instruments	31 015	(11 016)	1	-	8	20 008
Net investment in finance leases	(20 142)	(39 066)	25	-	168	(59 015)
Trade and other receivables	29 989	28 523	(150)	5 804	(989)	63 177
Equipment held for sale	7 678	10 023	32	227	215	18 175
Equipment for leasing purposes	-	(97)	-	-	-	(97)
Other current assets	38 451	(10 374)	-	2 869	(1)	30 945
Loans and borrowings	(4 343)	2 558	-	-	(4)	(1 789)
Provisions	2 227	(1 585)	-	870	-	1 512
Trade and other payables	3 750	8 477	(82)	410	(543)	12 012
Other current liabilities	-	740	-	(740)	-	-
Tax losses carried forward	-	(16 650)	-	141 282	-	124 632
	88 346	(27 642)	(174)	143 199	(1 147)	202 582

12. Trade and other receivables

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
VAT receivable from lessees	**9 190**	18 629
Impairment of VAT receivable from lessees	**(578)**	(1 075)
VAT receivable, net	**8 612**	17 554
Fines and penalties receivable	**22 719**	23 102
Impairment of fines and penalties receivable	**(17 491)**	(21 778)
Fines and penalties receivable, net	**5 228**	1 324
Other receivables	**370 377**	412 899
Impairment of other receivables	**(307 017)**	(313 736)
Other receivables, net	**63 360**	99 163
Total trade and other receivables, net	**77 200**	118 041

The maximum exposure to credit risk concerning trade and other receivables at the reporting date is the carrying value of receivable mentioned above. The Group holds collateral as security over the most part of these balances – pledge of equipment provided to lessees.

12. Trade and other receivables (continued)

Trade receivables that are past due but less than 3 months usually are not considered impaired.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and provision for impairment in the amount of RUR 325 086 thousand (31 December 2011: RUR 336 589 thousand) was created. The impaired receivables are mostly due from companies that are experiencing financial difficulties. The ageing of these receivables is as follows:

31 December 2012	Contracted amount RUR' 000	Impairment RUR' 000	**Carrying amount RUR' 000**
Receivables not past due	10 137	-	**10 137**
Not more than 1 month	10 931	-	**10 931**
More than 1 month but not more than 3 months	19 493	-	**19 493**
More than 3 months but not more than 6 months	11 891	(3 715)	**8 176**
More than 6 months but not more than 1 year	29 851	(13 192)	**16 659**
More than 1 year	319 983	(308 179)	**11 804**
Total	402 286	(325 086)	**77 200**

31 December 2011	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Receivables not past due	36 648	-	36 648
Not more than 1 month	53 213	-	53 213
More than 1 month but not more than 3 months	8 018	(3 399)	4 619
More than 3 months but not more than 6 months	16 283	(8 689)	7 594
More than 6 months but not more than 1 year	30 254	(22 701)	7 553
More than 1 year	310 214	(301 800)	8 414
Total	454 630	(336 589)	118 041

Movements in the provision for impairment of trade and other receivables are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Balance at the beginning of the year	**336 589**	250 128
Charge for the period (Note 24)	**24 090**	108 159
Acquisition of subsidiary	**-**	25 322
Reversal of the provision (Note 24)	**(31 358)**	(24 598)
Transfer from another group (Note 9)	**13 001**	35 033
Write off	**(17 013)**	(53 331)
Effect from translation	**(223)**	(4 124)
Balance at the end of the period	**325 086**	336 589

13. Equipment held for sale

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Non-current		
Equipment held for sale	**88 753**	39 942
Impairment of equipment held for sale	**(71 409)**	(15 630)
Non-current equipment held for sale, net	**17 344**	24 312
Current		
Equipment held for sale	**50 770**	86 776
Impairment of equipment held for sale	**(5 028)**	(2 897)
Current equipment held for sale, net	**45 742**	83 879
Total equipment held for sale	**63 086**	108 191

At 31 December 2012 equipment held for sale in the amount of RUR 54 648 thousand (31 December 2011: RUR 89 704 thousand) represents equipment repossessed from lessees upon termination of lease contracts due to significant delays in lease payments and in the amount of RUR 8 438 thousand (31 December 2011: RUR 18 487 thousand) represents equipment purchased for sale. The equipment is stated at selling price less cost to sell. Management believes that selling price is a reasonable representation of the assets' fair value. All assets are available for immediate sale in its present condition.

Movements in the provision for impairment of equipment held for sale are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Balance at the beginning of the year	**18 527**	23 781
Charge for the period (Note 24)	**61 853**	18 527
Reversal of the provision (Note 24)	**(3 943)**	(3 270)
Transfer to another group (Note 15)	-	(8 022)
Acquisition of subsidiary	-	1 137
Write off	-	(13 626)
Balance at the end of the period	**76 437**	18 527

14. Financial instruments

Financial instruments stated at amortised cost	**31 December 2012 RUR' 000**	31 December 2011 RUR' 000
Current		
Loans issued	**8 723**	10 043
Impairment of loans issued	**(8 723)**	(10 043)
Loans issued, net	**-**	-
Held-to-maturity investments	**101 390**	91 076
Impairment of held-to-maturity investments	**(101 390)**	(91 076)
Held-to-maturity investments, net	**-**	-
Total current	**-**	-
Total financial instruments stated at amortised cost	**-**	-

Movements in the provision for impairment of financial instruments are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Balance at the beginning of the year	**101 119**	153 549
Charge for the period (Note 24)	**11 684**	7 953
Reversal of provision	**-**	(60 383)
Write-off	**(2 690)**	-
Balance at the end of the period	**110 113**	101 119

Terms and repayment schedule is as follows:

	Currency	**Nominal interest rate**	**Effective interest rate**	**Year of maturity**
Loans issued	RUR	15%	15%	2011
Held-to-maturity investments	RUR	0%-14%	14%	2010-2011

14. Financial instruments (continued)

Current

Loans issued presented loan issued to OOO Tomneftegazstroy in the amount of RUR 8 723 thousand (2011: RUR 7 653 thousand) with the fixed interest rate of 15% per annum and contractual maturity in December 2011. As of 31 December 2012 these loans are included in full in the provision for impairment of financial instruments.

Held-to-maturity investments comprise promissory notes issued by OOO Tomneftegazstroy. Nominal value of these notes is RUR 76 495 thousand (2011: RUR 76 495 thousand), including non-interest bearing promissory notes with the nominal value of RUR 2 823 thousand and maturity in December 2011 and promissory notes with the fixed interest rate of 14% per annum with the nominal value of RUR 73 672 thousand and maturity in July 2011 – November 2011. Amortised cost of these notes as of 31 December 2012 is RUR 101 390 thousand (2011: RUR 91 076 thousand), discounted at effective interest rate of 14%. As of 31 December 2012 these notes are included in the provision for impairment of financial instruments in amount of RUR 101 390 thousand (2011: RUR 91 076 thousand).

Payments under the promissory notes are guaranteed in full by means of an aval given by ZAO PKF Savanta as an avalist. As of 31 December 2012 OOO Tomneftegazstroy has other liabilities to the Group for a total amount RUR 18 107 thousand. As of 31 December 2012, total credit risk exposure of OOO Tomneftegazstroy to the Group equals to RUR 128 220 thousand (31 December 2011: RUR 117 184 thousand) and the provisions for this credit risk exposure equal to RUR 128 220 thousand (31 December 2011: RUR 117 184 thousand).

15. Other assets

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Non-current		
Other non-current assets related to non-core activities	35 593	-
Total non-current other assets	**35 593**	-
Current		
Prepayments for acquisition of equipment for leasing purposes	**213 459**	208 667
Impairment of prepayments for acquisition of equipment	**(10 986)**	(16 265)
Prepayments for acquisition of equipment for leasing purposes, net	**202 473**	192 402
Other prepayments	**53 171**	54 514
Impairment of other prepayments	**(4 691)**	(7 309)
Other prepayments, net	**48 480**	47 205
Equipment not returned	**274 665**	243 809
Impairment of equipment not returned	**(166 921)**	(187 729)
Equipment not returned, net	**107 744**	56 080
Consumables	**14 833**	25 494
Impairment of consumables	**(11 127)**	(12 169)
Consumables, net	**3 706**	13 325
Other assets	**13 428**	20 597
Total current other assets	**375 831**	329 609
Total other assets	**411 424**	329 609

15. Other assets (continued)

Movements in the provision for impairment of other current assets are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Balance at the beginning of the year	**223 472**	242 353
Charge for the period (Note 24)	**28 565**	71 847
Acquisition of subsidiary	**-**	14 320
Reversal of the provision (Note 24)	**(36 789)**	(54 125)
Write off	**(22 987)**	(58 944)
Transfer from another group (Note 9, 13)	**1 615**	8 022
Effect of translation to presentation currency	**(151)**	(1)
Balance at the end of the period	**193 725**	223 472

In case of termination of a lease agreement if leased property was not returned by the lessee the residual value of equipment equal to net investment in lease is transferred to Other current assets.

16. Cash and cash equivalents

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Cash at bank – current accounts	**178 024**	82 254
Cash at bank – deposit accounts	**681 000**	64 825
Cash in hand	**1**	3
Total cash and cash equivalents	**859 025**	147 082

As at 31 December 2012 the Group placed several deposits with interest rates of 6,15%-8,3% per annum and maturity in January-February 2013.

17. Loans and borrowings

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Non-current		
Secured bank loans	**2 773 632**	1 282 313
Unsecured loans from related parties	**1 065 779**	766 692
Finance lease liabilities	**-**	89
	3 839 411	2 049 094
Current		
Secured bank loans	**2 901 781**	1 339 254
Unsecured loans from related parties	**267 989**	371 914
Finance lease liabilities	**-**	452
	3 169 770	1 711 620
Total loans and borrowings	**7 009 181**	3 760 714

Terms and repayment schedule is as follows:

	Currency	**Nominal interest rates**	**Effective interest rates**	**Year of maturity**
Non-current				
Secured bank loans	RUR/USD/EUR	8,25% - 13,5%	8,27% - 14,78%	2013-2016
Unsecured loans from related parties	RUR	8,5%	8,5%	2015
Current				
Secured bank loans	RUR/USD/EUR	8,25% - 13,5%	8,27% - 15,26%	2013
Unsecured loans from related parties	RUR	8,5%	8,5%	2013

Non-current and current secured bank loans are secured by leased-out equipment in the value of RUR 7 107 137 thousand (31 December 2011: RUR 3 550 206 thousand) and by the rights of the Company to receive lease payments from lessees for the amount of RUR 7 624 426 thousand (31 December 2011: RUR 195 322 thousand).

The Group has the following undrawn borrowing facilities with Russian banks:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Expiring within one year – fixed rate	**2 019 948**	1 302 903
Total undrawn borrowing facilities	**2 019 948**	1 302 903

17. Loans and borrowings (continued)

Finance lease liabilities are as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Minimum lease payments		
Less than one year	-	540
Between one and five years	-	91
Total minimum lease payments	-	631
Future finance charge	-	(90)
Present value of finance lease liabilities	-	541
Less than one year	-	452
Between one and five years	-	89
Total finance lease liabilities	-	541

Under the terms of finance lease agreements, no contingent rents are payable.

18. Trade and other payables

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Trade payables	**18 754**	28 523
Accrued audit fee	**2 993**	5 400
Accrued unused vacation provision	**31 221**	22 261
Accrued bonus to employees	**65 334**	42 606
Other payables	**41 364**	68 189
Total trade and other payables	**159 666**	166 979

19. Tax liabilities

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
VAT payable	**19 465**	9 898
Income tax payable	**13 867**	-
Other taxes payable	**21 614**	20 596
Total tax liabilities	**54 946**	30 494

20. Provisions

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Provisions at the beginning of the period	**7 562**	11 134
Charge for the period	**-**	860
Reversal for the period	**(5 227)**	(7 843)
Acquisition of subsidiary	**-**	4 349
Write off	**(1 497)**	(938)
Provisions at the end of the period	**838**	7 562

All provisions are current and include items relating to pending litigations (Note 29.1), that are expected to be settled within a period of one year.

21. Other liabilities

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
VAT from advances received from lessees for commenced and non commenced leases	**451 712**	285 672
Advances received from lessees for finance leases not commenced at year end or ahead of the schedule	**389 484**	226 439
Total other liabilities	**841 196**	512 111

22. Net assets attributable to participants

	Charter fund RUR' 000	Retained earnings RUR' 000	Translation reserve RUR' 000	Total RUR' 000	Minority interest RUR' 000	**Total RUR' 000**
Balance as of 31 December 2010	**2 280 000**	**(124 677)**	**(6 011)**	**2 149 312**	**5 222**	**2 154 534**
Non-dividend distribution to participants	-	(135 047)	-	(135 047)	-	(135 047)
Profit for the year	-	276 335	-	276 335	(1 073)	275 262
Acquisition of subsidiary	-	-	-	-	65	65
Increase of charter fund	220 000	(220 000)	-	-	-	-
Effect of translation to presentation currency	-	-	(33 152)	(33 152)	-	(33 152)
Balance as of 31 December 2011	**2 500 000**	**(203 389)**	**(39 163)**	**2 257 448**	**4 214**	**2 261 662**
Non-dividend distribution to participants	-	(173 854)	-	(173 854)	-	(173 854)
Profit for the period	-	419 831	-	419 831	(1 522)	418 309
Changes in minority owners	-	65	-	65	(65)	-
Decrease of charter fund	(16 053)	-	-	(16 053)	-	(16 053)
Effect of translation to presentation currency	-	-	(5 217)	(5 217)	-	(5 217)
Balance as of 31 December 2012	**2 483 947**	**42 653**	**(44 380)**	**2 482 220**	**2 627**	**2 484 847**

During 2011, charter fund was increased in the process of the merger in the form of accession of former K-Finance LLC according to the statutory legislation.

Under the Company's Charter, each participant has the unilateral right to withdraw from the Company, in which case the Company would be obliged to pay such withdrawing participant's share of the net assets at the time of withdrawal no later than six months after the end of the year of withdrawal. The right to withdraw cannot be used if the Company has only one participant. As of 31 December 2012 the Company's sole participant was Reso Investments Ltd.

In 2012 the Company made non-dividend distributions to participants in the amount of RUR 173 854 thousand (2011: RUR 135 047 thousand).

23. Finance income

	2012 RUR' 000	2011 RUR' 000
Income on finance lease	**1 425 735**	892 538
Interest income	**30 679**	21 270
Total finance income	**1 456 414**	913 808

24. Loss on impairment

Movements in the impairment losses are as follows:

	2012 RUR' 000	2011 RUR' 000
Property & equipment		
Charge for the period (Note 8)	**-**	2 162
Reversal of the provision (Note 8)	**(2 162)**	-
Net investment in finance leases		
Charge for the period (Note 9)	**7 768**	15 256
Reversal of the provision (Note 9)	**(20 918)**	(25 177)
Financial instruments		
Charge for the period (Note 14)	**11 684**	7 953
Reversal of the provision (Note 14)	**-**	(60 383)
Trade and other receivables		
Charge for the period (Note 12)	**24 090**	108 159
Reversal of the provision (Note 12)	**(31 358)**	(24 598)
Equipment held for sale		
Charge for the period (Note 13)	**61 853**	18 527
Reversal of the provision (Note 13)	**(3 943)**	(3 270)
Other current assets		
Charge for the period (Note 15)	**28 565**	71 847
Reversal of the provision (Note 15)	**(36 789)**	(54 125)
Total impairment losses	**38 790**	56 351

25. Other operating income

	2012 RUR' 000	2011 RUR' 000
Insurance commissions (Notes 2.1, 30.3)	**148 474**	65 303
Other operating income	**17 944**	23 341
Fines and penalties	**14 538**	34 319
Income from vehicle maintenance services	**7 280**	10 527
Total other operating income	**188 236**	133 490

26. Operating expenses

	2012 RUR' 000	2011 RUR' 000
Wages, salaries and other related social costs	**378 183**	281 961
Rent expenses (Note 31.2)	**49 230**	32 560
Office expenses	**16 415**	10 527
Depreciation and amortization (Note 8)	**15 949**	10 872
Marketing and advertising expenses	**14 727**	15 897
Repair, maintenance and fuel expenses	**12 008**	6 359
Telecommunication expenses	**9 283**	6 859
Taxes	**8 752**	3 980
Insurance expenses	**8 512**	5 061
Audit, information and consulting services	**8 442**	9 929
Travel & representation expenses	**5 385**	7 757
Postage	**5 252**	3 253
Software expenses	**5 234**	6 717
Other expenses	**14 030**	11 081
Total operating expenses	**551 402**	412 813

27. Income tax expense

	2012 RUR' 000	2011 RUR' 000
Current		
Current income tax expense	**66 582**	44 550
Deferred		
Origination of timing differences	**47 505**	27 642
Effect of change in tax rate from 24% to 18%	**-**	174
Total income tax expense in the pro-forma consolidated statement of comprehensive income	**114 087**	72 366

Reconciliation of theoretical income tax expenses with actual income tax expenses:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Profit before tax	**532 396**	347 628
Income tax at the applicable corporate tax rate	**106 479**	69 525
Effect of change in tax rate from 24% to 18%	**-**	174
Net non-deductible costs and non-taxable income	**7 608**	2 667
Total income tax expense in the pro-forma consolidated statement of comprehensive income	**114 087**	72 366

28. Risk management

The Group's objectives when managing capital are to ensure that the Group will be able to operate as a going concern in order to maximise return to participants and benefits to other stakeholders through the optimisation of debt and equity balance. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to participants, receive additional contributions from participants, or sell assets to reduce debt.

Consistent with others in the industry the Group monitors capital on the basis of debt-to-capital ratio. The ratio is calculated as net debt divided by total net capital (net debt and net assets attributable to participants).

The capital structure of the Group consists of net assets attributable to participants and loans and borrowings (refer to Note 17 "Loans and borrowings") net of cash and cash equivalents and loans from related parties. Capital structure is reviewed by the Board of Directors on regular basis.

On 31 December 2012 debt-to-capital ratios were as follows:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Loans and borrowings (Note 17)	**7 009 181**	3 760 714
Less: Unsecured loans from related parties (Note 17)	**(1 333 768)**	(1 138 606)
Less: Cash and cash equivalents (Note 16)	**(859 025)**	(147 082)
Net debt	**4 816 388**	2 475 026
Unsecured loans from related parties (Note 17)	**1 333 768**	1 138 606
Net assets attributable to participants (Note 22)	**2 484 847**	2 261 622
Net debt	**4 816 388**	2 475 026
Total net capital	**8 635 003**	5 875 254
Debt-to-capital ratio	**56%**	42%

Exposure to credit, liquidity and market risk (including currency, fair value interest rate risk and price risk) arises in the normal course of the Group's business. Risk management is carried out by credit committee under policies approved by the Board of Directors. The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. The most significant financial risks to which the Group is exposed to are described below.
These risks are attributable to the following categories of financial instruments:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Financial assets		
Net investment in finance leases (Note 9)	**7 287 009**	4 475 592
Trade and other receivables (Note 12)	**77 200**	118 041
Cash and cash equivalents (Note 16)	**859 025**	147 082
Financial liabilities		
Loans and borrowings (Note 17)	**7 009 181**	3 760 714
Trade and other payables (Note 18)	**159 666**	166 979

28. Risk management (continued)

28.1 Credit risk analysis

Credit risk is the risk that counterparty may default or not meet its obligations to the Group when contractually due, leading to financial losses of the Group.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all lessees, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal ratings in accordance with policies set by the credit committee. The utilisation of credit limits is regularly monitored.

As at 31 December 2012 and 31 December 2011 there were no significant concentrations of credit risk. Net investment in finance leases consist of a large number of lease agreements, spread across various industries and geographical areas.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the pro-forma consolidated statement of financial position. The Group has collateral in respect of net investments in finance leases.

28.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities when they are contractually due.

The Group manages its liquidity needs by monitoring debt schedules for financial liabilities as well as cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day basis, as well as on the basis of 90 days projection.

The following are the contractual maturities of financial liabilities. Contractual cash flows represent undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay and include both the principal and interest cash flows.

31 December 2012	Carrying amount RUR' 000	6 months or less RUR' 000	6 -12 months RUR' 000	1 – 2 years RUR' 000	2 – 5 years RUR' 000	Contractual cash flows RUR' 000
Financial liabilities						
Secured bank loans (Note 17)	5 675 413	1 881 023	1 514 739	2 038 281	1 001 845	**6 435 888**
Unsecured loans from related parties (Note 17)	1 333 768	216 819	212 521	305 177	1 004 256	**1 738 773**
Trade and other payables (Note 18)	159 666	159 666	-	-	-	**159 666**
Total financial liabilities	**7 168 847**	**2 257 508**	**1 727 260**	**2 343 458**	**2 006 101**	**8 334 327**

28. Risk management (continued)

28.2 Liquidity risk (continued)

31 December 2011	Carrying amount RUR' 000	6 months or less RUR' 000	6 -12 months RUR' 000	1 – 2 years RUR' 000	2 – 5 years RUR' 000	Contractual cash flows RUR' 000
Financial liabilities						
Secured bank loans	2 621 567	780 629	760 343	1 046 808	324 167	2 911 947
Unsecured loans from related parties	1 138 606	285 484	173 530	326 553	549 751	1 335 318
Finance lease liabilities	541	270	270	91	-	631
Trade and other payables	166 979	166 979	-	-	-	166 979
Total financial liabilities	3 927 693	1 233 362	934 143	1 373 452	873 918	4 414 875

28.3 Foreign exchange rate risk

The Group incurs foreign exchange rate risk on net investments in finance leases and borrowings that are denominated in currency other than RUR, primarily US Dollar and Euro.

The Group does not use any derivative financial instruments to hedge foreign currency risk exposure. At the same time management seeks to mitigate this risk by managing monetary assets and liabilities in foreign currency so as to minimise net currency position in each foreign currency.

Foreign currency denominated financial assets and liabilities, translated into RUR at the closing rate, are as follows:

	31 December 2012		31 December 2011	
	USD RUR' 000	**EUR RUR' 000**	USD RUR' 000	EUR RUR' 000
Financial assets				
Net investment in finance leases	**167 365**	**85 423**	153 441	44 512
Trade and other receivables	**1 936**	**739**	1 340	-
Other assets	**23 779**	**23 449**	-	-
Cash in bank	**2 071**	**1 521**	23 588	5 521
Total financial assets	**195 151**	**111 132**	178 369	50 033
Financial liabilities				
Secured bank loans	**(101 562)**	**(11 652)**	(16 169)	(24 592)
Trade and other payables	**-**	**(1 552)**	(271)	(4 749)
Other liabilities	**(76)**	**-**	-	-
Total financial liabilities	**(101 638)**	**(13 204)**	(16 440)	(29 341)
Net position	**93 513**	**97 928**	161 929	20 692

28. Risk management (continued)

28.3 Foreign exchange rate risk (continued)

The following table details the Group's sensitivity analysis to a 10% change in the functional currency against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management assessment of the reasonably possible change in foreign exchange rates. The analysis was applied to monetary items at the date of the end of the reporting period denominated in respective currencies.

If the RUR had strengthened against the US Dollar and Euro by 10% (2011: 10%) then this would had the following impact (net of income tax):

	31 December 2012		31 December 2011	
Foreign currency	**Statement of pro-forma comprehensive income RUR' 000**	**Net assets attributable to participants RUR' 000**	Statement of pro-forma comprehensive income	Net assets attributable to participants
USD	**(7 481)**	**(7 481)**	(12 954)	(12 954)
EUR	**(7 834)**	**(7 834)**	(1 655)	(1 655)

If the RUR had weakened against the US Dollar and Euro by 10% then this would had the equal but opposite effect on the amounts shown above, in the basis that other variables remain constant.

28.4 Interest rate risk

Interest rate risk is the risk that movements in floating rates will adversely impact the financial results of the Group. All of the Group's financial assets and liabilities are at fixed rate. Therefore, a change in interest rates at the reporting date would not have any effect on the profit or loss and net assets attributable to participants of the Group.

28.5 Fair value of financial instruments

As required by IAS 32 "Financial Instruments: Presentation" the Group estimates fair value of the financial assets and liabilities.

Management of the Group considers that estimated fair values of all financial assets and liabilities as of 31 December 2012 and 31 December 2011 are not materially different from their carrying amounts.

The estimated fair values are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

29. Contingencies

29.1 Litigation

As of 31 December 2012 the Group is engaged in certain legal proceedings. In the opinion of the Management, settlement or continuation of these proceedings will not have a material effect on the Group's financial position. A liability has been recognized under Provisions in the amount of RUR 838 thousand (Note 20) (31 December 2011: RUR 7 562 thousand) in case the risk of a loss should arise. These provisions cover all losses according to the most negative scenario for the Group.

29.2 Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which may be applied retroactively and is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

Companies of the Group transact with each other in the normal course of business that affects taxable base of these companies. Transfer pricing applied by the Group in these transactions could be challenged by the Russian tax authorities. As a consequence of the tax authorities' practice, this may result in additional tax risks for the Group.

30. Related party transactions

30.1 Transactions with key management personnel

Transactions with key management are as follows:

	2012 RUR' 000	2011 RUR' 000
Compensation to key management	**58 855**	40 978

Period-end balances:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Trade and other payables	**46 739**	26 549
Trade and other receivables	-	2 550

30.2 Transactions with participants

Transactions carried out during the period:

	2012 RUR' 000	2011 RUR' 000
Non-dividend distribution to participants (Note 22)	**173 854**	135 047

30. Related party transactions (continued)

30.3 Transactions with other related parties

The following amounts represent transactions with other related parties during the period:

	2012 RUR' 000	2011 RUR' 000
Interest expense	**137 019**	48 786
Income on finance leases	**497**	582
Insurance commissions received (Notes 2.1, 25)	**148 474**	65 303
Assets and services acquired		
Payments for insurance on behalf of lessees	**30 793**	15 784
Other payments for insurance	**5 941**	4 796
Operational lease of premises (net of VAT)	**7 714**	4 374

Period-end balances:

	31 December 2012 RUR' 000	31 December 2011 RUR' 000
Loans and borrowings	**1 333 768**	1 138 606
Trade and other receivables	**109**	-
Trade and other payables	**7 304**	4 940
Net investment in finance leases	**2 651**	1 518

31. Commitments

31.1 Lease commitments

At 31 December 2012 the Group had entered into lease agreements with third parties, which have not commenced at the end of the reporting period. Under these agreements the Group is additionally required to purchase equipment for leasing purposes for the amount of RUR 355 702 thousand (31 December 2011: RUR 269 743 thousand) including VAT and excluding prepayments to suppliers already made at year end. The Group has received advances from lessees in the amount of RUR 137 860 thousand (31 December 2011: RUR 124 133 thousand) for these contracted lease agreements.

31. Commitments (continued)

31.2 Operating leases

The Group leases a number of premises under operating lease. The leases typically run for an initial period of one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

The following amounts represent non-cancellable operating lease rentals payable:

	31 December 2012 RUR'000	31 December 2011 RUR'000
Within 1 year	**46 183**	34 236
Between 1 and 2 year	**-**	25 092
Total operating lease commitments	**46 183**	59 328

In 2012 RUR 49 230 thousand was recognised as an expense in the pro-forma consolidated statement of comprehensive income in respect of operating leases (2011: RUR 32 560 thousand). (Note 26)

32. Principal subsidiaries

Entity	Principal activities	Country of incorporation	Ownership	
			31 December 2012	31 December 2011
SOOO RESO-BELLEASING	Finance lease services	Belarus	**99,68%**	99,68%
OOO RESOTRUST	Finance lease services	Russia	**99,00%**	99,00%

33. Events after the reporting period

In February 2013 the Company issued 2 500 000 non-convertible bearer bonds with mandatory centralized custody, series 01, with an option for early redemption at the holders' request and at the discretion of the issuer, with nominal value of RUR 1 thousand each, maturing on 1092 days from the placement date.

In 2012 the Company mandated OAO Alfa-Bank to arrange a senior secured loan to the Company in the amount of up to RUR 8 000 000 thousand for the period of four years, with fixed interest rate of 10.75% per annum. The loan will be secured by leased-out equipment and the rights of the Company to receive lease payments from lessees. At the time of the issue of these financial statements the Company received commitments from three Russian banks under this proposed loan facility for the total amount of RUR 5 000 000 thousand.