

Consolidated financial statements

**ООО RESO-LEASING**

31 December 2011



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## INDEPENDENT AUDITOR'S REPORT

To the Participants  
of OOO RESO-LEASING  
4, Schepkina str.,  
Moscow, Russian Federation

We have audited the accompanying consolidated financial statements of OOO RESO-LEASING and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Грант Торнтон

## *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, 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  
21 May 2012

# Consolidated Statement of Financial Position

	Notes	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	6	671 286	671 286
Other intangible assets	7	261 374	266 607
Property and equipment	8	93 091	17 578
Equipment purchased for leasing purposes		23 028	53 571
Net investment in finance leases	9	2 111 797	1 174 290
Financial instruments	10	690 087	529 515
Tax assets	11	141 096	87 922
Deferred tax assets	12	150 335	34 428
Equipment held for sale	14	24 312	-
		<b>4 166 406</b>	<b>2 835 197</b>
<b>Current</b>			
Net investment in finance leases	9	2 363 795	1 505 840
Financial instruments	10	140 628	447 923
Tax assets	11	442 164	202 679
Trade and other receivables	13	125 891	208 466
Equipment held for sale	14	83 879	165 289
Other current assets	15	364 118	384 392
Cash and cash equivalents	16	513 236	675 555
		<b>4 033 711</b>	<b>3 590 144</b>
<b>Total Assets</b>		<b>8 200 117</b>	<b>6 425 341</b>
<b>Liabilities</b>			
<b>Non-current liabilities excluding net assets attributable to participants</b>			
Loans and borrowings	17	2 673 894	1 635 790
Customer accounts and deposits	18	93 848	140 063
		<b>2 767 742</b>	<b>1 775 853</b>
<b>Current liabilities</b>			
Loans and borrowings	17	1 633 650	968 150
Customer accounts and deposits	18	849 201	1 059 881
Trade and other payables	19	172 479	86 344
Tax liabilities	20	30 586	37 156
Provisions	21	7 562	11 134
Other liabilities	22	512 134	333 171
		<b>3 205 612</b>	<b>2 495 836</b>
<b>Net assets attributable to participants</b>	23	<b>2 226 763</b>	<b>2 153 652</b>
<b>Total Liabilities</b>		<b>8 200 117</b>	<b>6 425 341</b>

The consolidated financial statements were approved by Management on 21 May 2012.

General Director OOO RESO-Leasing

Financial Director OOO RESO-Leasing

A. Mokin

A. Kostylev

Bob Kostylev is not responsible for the consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	Notes	2011 RUR' 000	2010 RUR' 000
Finance income	24	1 030 994	739 630
Finance cost	25	(379 387)	(283 369)
<b>Net finance income</b>		<b>651 607</b>	<b>456 261</b>
Impairment losses	26	(56 798)	(259 715)
<b>Net finance income after impairment</b>		<b>594 809</b>	<b>196 546</b>
Other operating income	27	91 304	44 305
Net result from derecognition of finance leases		(4 826)	(11 741)
Net result from disposal of assets		24 246	(15 494)
Operating expenses	28	(509 977)	(312 385)
Monetary loss		3 032	-
Net result from foreign currencies		53 904	(2 793)
<b>Profit (loss) before income tax</b>		<b>252 492</b>	<b>(101 562)</b>
Income tax (benefit)	29	(54 929)	16 210
<b>Profit (loss) for the period</b>		<b>197 563</b>	<b>(85 352)</b>
<b>Other comprehensive income</b>			
Changes in translation reserve		(33 152)	(1 622)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(33 152)</b>	<b>(1 622)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>164 411</b>	<b>(86 974)</b>
<b>Income (loss) for the period attributable to:</b>			
Participants of OOO Reso-Leasing		198 636	(85 036)
Non-controlling interest		(1 073)	(316)
<b>Total comprehensive income (loss) attributable to:</b>			
Participants of OOO Reso-Leasing		165 484	(86 658)
Non-controlling interest		(1 073)	(316)

2011 and 2010 figures are in Russian Rubles (RUR) unless otherwise specified.

# Consolidated Statement of Cash Flows

	Note	2011 RUR' 000	2010 RUR' 000
<b>Cash flows from operating activities</b>			
Profit (loss) for the period before taxation		252 492	(101 562)
<u>Adjustments for:</u>			
Depreciation and amortisation		18 473	15 003
Gain (loss) from disposal of property and equipment		6	(34)
Gain from bargain purchase of subsidiaries		(8 374)	-
Other non-cash items		5 442	-
Exchange difference on revaluation of monetary items in foreign currency		117 906	(52)
Monetary loss		(696)	-
Changes in accrued expenses and provisions		44 479	19 425
Accrued income tax from non-dividend distributions to participants		(19 876)	(12 270)
Impairment losses		56 798	259 715
Fair value valuation of loans and borrowings		(9 459)	(21 741)
Utilization of provisions		(133 310)	(13 556)
Write-off of assets		-	(1 402)
Interest income		(132 232)	(160 364)
Interest expense		379 387	280 834
		<u>571 036</u>	<u>263 996</u>
Net decrease (increase) of investments in finance lease		(1 905 119)	(380 947)
Net decrease (increase) of equipment acquired for leasing purposes		(2 513)	(41 717)
Decrease (increase) in trade and other receivables		134 902	(271 276)
Decrease (increase) in tax and other assets		(190 222)	(509 143)
Decrease (increase) in equipment held for sale		126 294	330 636
Increase (decrease) in trade and other payables		390 981	(7 535)
Increase (decrease) in tax and other liabilities		157 253	144 730
Interest paid		(407 612)	(242 887)
Income tax paid		(21 367)	(4 767)
<b>Net cash used in operating activities</b>		<b>(1 146 367)</b>	<b>(718 910)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash		18 343	-
Sales (purchases) of securities		342 766	(278 563)
Loans returned (issued)		(242 937)	8 968
Proceeds from disposals of property and equipment		1 372	464
Disposal (acquisition) of other financial instruments		1 585	(4 305)
Interest income received		135 288	151 573
Purchase of property and equipment		(15 220)	(12 816)
Purchase of intangible assets		(148)	(1 010)
<b>Net cash from (used in) investing activities</b>		<b>241 049</b>	<b>(135 689)</b>

and are not qualifying criteria for the consolidated financial statements

## Consolidated Statement of Cash Flows (continued)

	Note	2011 RUR' 000	2010 RUR' 000
<b>Cash flows from financing activities</b>			
Net receipt (repayment) of loans and borrowings		1 482 368	641 109
Net increase (repayment) of finance lease liabilities		(546)	617
Net increase (repayment) of other financial liabilities		-	1 086
Attraction (repayment) of customer term deposits		(626 164)	705 804
Non-dividend distribution to participants		(91 365)	(58 691)
Dividends paid to minorities		-	(741)
<b>Net cash from financing activities</b>		<b>764 293</b>	<b>1 289 184</b>
Effect of exchange rate changes on cash and cash equivalents		(21 294)	(156)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(162 319)</b>	<b>434 429</b>
Cash and cash equivalents at beginning of period	16	675 555	241 126
<b>Cash and cash equivalents at end of period</b>	<b>16</b>	<b>513 236</b>	<b>675 555</b>

These consolidated financial statements were approved by the Board of Directors on 2012-03-26.



## **1. Background**

### **1.1 Principal activities**

RESO-LEASING Group consists of OOO RESO-LEASING ("the Company"), its 99,675% owned subsidiary SOOO RESO-BELLEASING, its 99% owned subsidiary OOO RESOTRUST and its 100% owned subsidiary OJSC Bank RESO Credit (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 Russian Federation. The address of its registered office is 6, str. 8, Nagorny proezd, Moscow, Russian Federation.

The Company is owned by OOO Holding Company Reso (0,503%) and Reso Investments Limited (99,497%), a Cyprus registered company, which is in turn indirectly controlled by S.Sarkisov (50%) and N.Sarkisov (50%).

Average number of employees of the Group during 2011 was 369 (2010: 201).

### **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 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 Statement of compliance**

The 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).

### **2.2 Going concern**

These 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. Basis of preparation (continued)**

### **2.3 Basis of measurement**

The 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 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 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 consolidated statement of financial position have been translated at the foreign exchange rate ruling at the date of the 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.

### **2.5 Critical accounting estimates and judgments**

The preparation of 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 investments in lease" in respect of lease impairment allowance;
- Note 13 "Trade and other receivables" in respect of trade and other receivables impairment allowance;
- Note 3.15 "Taxation" and Note 12 "Deferred tax assets and liabilities" in respect of recognition of deferred tax assets and liabilities;
- Note 21 "Provisions" and Note 32.1 "Litigation" in respect of pending litigations;
- Note 32.2 "Taxation contingencies" in respect of tax contingencies.

## **2. Basis of preparation (continued)**

### **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 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 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 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 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.

### **2.8 Classification of 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, Belarus Republic must be considered a hyperinflationary economy in 2011. The main implication of this are 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 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 income statement 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 income statement and 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 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 2011 was 261 Belorussian roubles per Russian rouble.

## 2. Basis of preparation (continued)

### 2.8 Classification of Belarus Republic as a hyperinflationary economy (continued)

The main effects on the Group's consolidated financial statements for the year ended 31 December 2011 derived from the items mentioned above are as follows:

	RUR' 000
Finance income	968
Operating expenses	(3 970)
Non-operating losses	(4 597)

## 3. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the 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 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 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 statement of comprehensive income as an expense as incurred.

### 3. Summary of significant accounting policies (continued)

#### 3.3 Property and equipment (continued)

Depreciation is charged to the 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.

#### 3.4 Assets held for sale

Assets are classified in the 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 consolidated statement of financial position are not reclassified or re-presented in the comparative 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 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 amortized, 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. Summary of significant accounting policies (continued)

#### 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.

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 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 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.

### 3. Summary of significant accounting policies (continued)

#### 3.8 Financial instruments (continued)

##### *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.

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 amortized cost. Amortized 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 amortized 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.

### 3. Summary of significant accounting policies (continued)

#### 3.9 Impairment (continued)

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.

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 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 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.



### **3. Summary of significant accounting policies (continued)**

#### **3.9 Impairment (continued)**

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.

#### **3.10 Offsetting**

Financial assets and liabilities are offset and the net amount reported in the 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 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 financial statements are authorised for issue.

### **3. Summary of significant accounting policies (continued)**

#### **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.

#### **3.15 Taxation**

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the 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 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 or 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 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 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 statement of comprehensive income.

### 3. Summary of significant accounting policies (continued)

#### 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 2011 are as follows:

Index for revaluation of non-monetary assets and liabilities	1,02 – 3,26
Index for revaluation of income statement and cash flows	1,52

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 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

### 3. Summary of significant accounting policies (continued)

#### 3.20 Reclassifications

The management of the Group has revised the presentation of consolidated financial statements for the year ended 31 December 2010 for better presentation in accordance with IFRS. Comparative information was reclassified to conform to changes in presentation in the current year.

The management of the Group has made reclassifications which don't affected net assets attributable to participants and consolidated statement of comprehensive income.

With effect from 31 December 2011, the Group presents customer term deposits and customer current accounts and demand deposits as customer deposits and accounts instead of financial liabilities and trade and other payables. The Group previously presented customer term deposits as financial liabilities and customer current accounts and demand deposits as trade and other payables in its consolidated statement of financial position for the year ended 31 December 2010.

With effect from 31 December 2011, The Group presents differences between fair value and nominal value of assets disposed from lease as impairment losses instead of net result from derecognition of finance leases and loss on disposal of assets. The Group previously presented differences between fair value and nominal value of assets disposed from lease as net result from derecognition of finance leases and loss on disposal of assets in its consolidated statement of comprehensive income for 2010 year.

The following table shows changes in the consolidated statement of financial position as at 31 December 2010:

	31 December 2010 RUR'000 (as previously reported)	Reclassifications RUR'000	31 December 2010 RUR'000 (as adjusted)
<b>Non-current liabilities</b>			
Financial liabilities	1 775 853	(1 775 853)	-
Loans and borrowings	-	1 635 790	1 635 790
Customer deposits and accounts	-	140 063	140 063
<b>Current liabilities</b>			
Financial liabilities	1 926 965	(1 926 965)	-
Loans and borrowings	-	968 150	968 150
Customer deposits and accounts	-	1 059 881	1 059 881
Trade and other payables	187 410	(101 066)	86 344

The following table shows changes in the consolidated statement of comprehensive income in 2010:

	2010 RUR'000 (as previously reported)	Reclassifications RUR'000	2010 RUR'000 (as adjusted)
Impairment losses	(204 686)	(55 029)	(259 715)
Net result from derecognition of finance leases	(62 156)	50 415	(11 741)
Loss on disposal of assets	(20 108)	4 614	(15 494)

## **4. New Standards and Interpretations**

### **4.1 New standards and interpretations effective in the current period**

In the current period the Group has adopted the interpretations which are effective for the annual reporting period. These are:

- IFRS 3 (2008) “Business Combinations” / IAS 27 “Consolidated and Separate Financial Statements” - amendments resulting from May 2010 Annual Improvements to IFRSs: 1) transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; 2) clarification on measurement of non-controlling interests.
- IFRS 7 “Financial Instruments: Disclosures” - amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans.
- IAS 24 “Related Party Disclosures” - (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2010) do not affect the Group because the Group is not a government-related entity.

The adoption of these Interpretations has not led to any changes in the Group’s accounting policies.

### **4.2 New standards and interpretations not yet adopted**

A number of new Standards and Interpretations are not yet effective for the financial year beginning 1 January 2011 and the date of authorisation of these consolidated financial statements, and have not been applied by the Company in preparing these consolidated financial statements. These new Standards and Interpretations are:

- IFRS 7 “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 1 July 2011). The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted) – issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities.
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013) - replaces all of the guidance on control and consolidation in IAS 27 and SIC-12 by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2013) - replaces IAS 31 with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the ‘jointly controlled assets’ classification exists no more).
- IFRS 12 “Disclosure of Interest in Other Entities” (effective for annual periods beginning on or after 1 January 2013) – requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

## **4. New Standards and Interpretations (continued)**

### **4.2 New standards and interpretations not yet adopted (continued)**

- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted) – provides a definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs.
- IAS 1 “Presentation of Financial Statements” - amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2011).
- IAS 12 “Income Taxes” - Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012, with earlier application permitted).
- IAS 27 - reissued as IAS 27 “Separate Financial Statements” (as amended in May 2011) (effective for annual periods beginning on or after 1 January 2013) - includes the provisions on separate financial statements that are left almost unchanged after the control provisions of IAS 27 have been replaced with the new IFRS 10.
- IAS 28 - reissued as IAS 28 “Investments in Associates and Joint Ventures” (as amended in May 2011) (effective for annual periods beginning on or after 1 January 2013) - now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- Amendment to IAS 12 Income Taxes – provides (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.
- Amendments to IAS 1 Presentation of Financial Statements – revise the way other comprehensive income is presented.

## 5. Acquisition of subsidiaries

On 29 June 2011 ultimate shareholders transferred to RESO-LEASING LLC their 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:

	<b>Fair value of assets and liabilities of K-Finance as of 30 June 2011 RUR' 000</b>
<b>Assets</b>	
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
	<b>324 901</b>
<b>Liabilities</b>	
Financial liabilities	276 329
Trade and other payables	16 586
Tax liabilities	1 685
Provisions	4 349
Other liabilities	17 513
	<b>316 462</b>
<b>Net identifiable assets</b>	<b>8 439</b>
Share of the Group in the net identifiable assets	<b>100%</b>
Share of net assets transferred to the owners of subsidiary	<b>0,003%</b>
Value of group net assets attributable to participants before acquisition	<b>2 169 887</b>
Consideration paid	<b>65</b>
<b>Gain from a bargain purchase</b>	<b>8 374</b>

## 6. Goodwill

On 18 December 2008 the Company purchased 99% shareholding interest in 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 on 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 on 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 2011, 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 14%.

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 2011.

## 7. Other intangible assets

<u>In thousands of RUR</u>	<b>Bank licenses</b>	<b>Acquired software licenses</b>	<b>Total</b>
	<b>RUR' 000</b>	<b>RUR' 000</b>	<b>RUR' 000</b>
<b>Cost</b>			
1 January 2011	252 125	32 048	284 173
Additions	-	149	149
Write-off	-	(8 400)	(8 400)
<b>31 December 2011</b>	<b>252 125</b>	<b>23 797</b>	<b>275 922</b>
<b>Amortisation</b>			
At 1 January 2011	-	17 566	17 566
Amortisation charge	-	5 159	5 159
Write-off	-	(8 177)	(8 177)
<b>31 December 2011</b>	<b>-</b>	<b>14 548</b>	<b>14 548</b>
<b>Carrying value</b>			
<b>31 December 2011</b>	<b>252 125</b>	<b>9 249</b>	<b>261 374</b>
<b>31 December 2010</b>	<b>252 125</b>	<b>14 482</b>	<b>266 607</b>



## 7. Other intangible assets (continued)

<u>In thousands of RUR</u>	Bank licenses	Acquired software licenses	Total
	RUR' 000	RUR' 000	RUR' 000
<b>Cost</b>			
1 January 2010	252 125	31 037	283 162
Additions	-	1 011	1 011
31 December 2010	252 125	32 048	284 173
<b>Amortisation</b>			
At 1 January 2010	-	9 487	9 487
Amortisation charge	-	8 079	8 079
31 December 2010	-	17 566	17 566
<b>Carrying value</b>			
31 December 2010	252 125	14 482	266 607
31 December 2009	252 125	21 550	273 675

## 8. Property and equipment

<u>In thousands of RUR</u>	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
<b>Cost or revaluation cost</b>						
1 January 2011	-	9 898	13 337	8 675	-	31 910
Additions	-	1 535	12 868	688	182	15 273
Disposals	-	(356)	(1 770)	(2 240)	-	(4 366)
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)	(755)	(282)	-	(1 446)
31 December 2011	58 178	20 466	48 493	8 465	182	135 784
<b>Depreciation and impairment</b>						
1 January 2011	-	6 798	3 320	4 214	-	14 332
Depreciation charge	536	2 814	8 543	1 421	-	13 314
Disposals	-	(356)	(890)	(1 912)	-	(3 158)
Acquisition of subsidiary	4 069	5 809	4 909	1 035	-	15 822
Charge of provision	-	-	2 162	-	-	2 162
Revaluation according to IAS 29	-	258	406	59	-	723
Effect of translation to presentation currency	-	(179)	(298)	(25)	-	(502)
31 December 2011	4 605	15 144	18 152	4 792	-	42 693
<b>Carrying value</b>						
31 December 2011	53 573	5 322	30 341	3 673	182	93 091
31 December 2010	-	3 100	10 017	4 461	-	17 578

## 8. Property and equipment (continued)

<u>In thousands of RUR</u>	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
<b>Cost</b>					
1 January 2010	9 369	4 010	6 979	-	20 358
Additions	882	9 759	2 175	-	12 816
Disposals	(343)	(384)	(471)	-	(1 198)
Effect of translation to presentation currency	(10)	(48)	(8)	-	(66)
31 December 2010	9 898	13 337	8 675	-	31 910
<b>Depreciation</b>					
1 January 2010	4 785	1 145	2 262	-	8 192
Depreciation charge	2 275	2 275	2 374	-	6 924
Disposals	(255)	(93)	(420)	-	(768)
Effect of translation to presentation currency	(7)	(7)	(2)	-	(16)
31 December 2010	6 798	3 320	4 214	-	14 332
<b>Carrying value</b>					
31 December 2010	3 100	10 017	4 461	-	17 578
31 December 2009	4 584	2 865	4 717	-	12 166

## 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:

	31 December 2011	31 December 2011	31 December 2011	31 December 2011	31 December 2011
<u>Denominated in currency:</u>	RUR RUR' 000	USD RUR' 000	EUR RUR' 000	BYR RUR' 000	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)
<b>Total net investment in finance leases after impairment</b>	<b>4 277 639</b>	<b>153 441</b>	<b>44 512</b>	<b>-</b>	<b>4 475 592</b>

	31 December 2010	31 December 2010	31 December 2010	31 December 2010	31 December 2010
<u>Denominated in currency:</u>	RUR RUR' 000	USD RUR' 000	EUR RUR' 000	BYR RUR' 000	Total RUR' 000
Lease installments receivable in less than 1 year	1 886 054	129 971	3 131	672	2 019 828
Lease installments receivable in 2 to 5 years	1 369 246	57 285	4 706	-	1 431 237
Lease installments receivable in more than 5 years	-	-	-	-	-
Total gross investment in finance leases	3 255 300	187 256	7 837	672	3 451 065
Less unearned finance income	(658 111)	(30 020)	(1 406)	(43)	(689 580)
	2 597 189	157 236	6 431	629	2 761 485
Less impairment of lease installments receivable	(81 355)	-	-	-	(81 355)
<b>Total net investment in finance leases after impairment</b>	<b>2 515 834</b>	<b>157 236</b>	<b>6 431</b>	<b>629</b>	<b>2 680 130</b>

## 9. Net investment in finance leases (continued)

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

	31 December 2011	31 December 2011	31 December 2011	31 December 2011	31 December 2011
<u>Denominated in currency:</u>	RUR RUR' 000	USD RUR' 000	EUR RUR' 000	BYR RUR' 000	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
<b>Total net investment in finance leases after impairment</b>	<b>4 277 639</b>	<b>153 441</b>	<b>44 512</b>	<b>-</b>	<b>4 475 592</b>

## 9. Net investment in finance leases (continued)

	31 December 2010	31 December 2010	31 December 2010	31 December 2010	31 December 2010
Denominated in currency:	RUR RUR' 000	USD RUR' 000	EUR RUR' 000	BYR RUR' 000	Total RUR' 000
Lease installments receivable in less than 1 year	1 886 054	129 971	3 131	672	2 019 828
Less unearned finance income	(435 215)	(23 653)	(798)	(43)	(459 709)
	1 450 839	106 318	2 333	629	1 560 119
Less impairment of lease installments receivable	(54 279)	-	-	-	(54 279)
Current net investment in finance leases	1 396 560	106 318	2 333	629	1 505 840
Lease installments receivable in 2 to 5 years	1 369 246	57 285	4 706	-	1 431 237
Less unearned finance income	(222 896)	(6 367)	(608)	-	(229 871)
	1 146 350	50 918	4 098	-	1 201 366
Less impairment of lease installments receivable	(27 076)	-	-	-	(27 076)
Non-current net investment in finance leases	1 119 274	50 918	4 098	-	1 174 290
Total net investment in finance leases after impairment	2 515 834	157 236	6 431	629	2 680 130

The effective interest rate implicit in finance leases is approximately 26,56% per annum for RUR denominated contracts; 24,25% per annum for USD denominated contracts; and 30,43% per annum for EUR denominated contracts (2010: 27,99% for RUR denominated contracts; 27,16% for USD denominated contracts; 16,92% for EUR denominated contracts). Lease payments are usually receivable by monthly installments.

The following amounts represent business added by the Group during the year:

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Gross investment in new finance leases</b>	<b>3 331 827</b>	<b>1 925 515</b>

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.

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 36 401 thousand (31 December 2010: 81 355 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 2011, all lease installments receivable from such lessee were considered past due starting from the first date of failure to pay.

## 9. Net investment in finance leases (continued)

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

<b>31 December 2011</b>	<b>Contracted amount RUR' 000</b>	<b>Impairment RUR' 000</b>	<b>Carrying amount RUR' 000</b>
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
	<b>4 511 993</b>	<b>(36 401)</b>	<b>4 475 592</b>
<b>31 December 2010</b>	<b>Contracted amount RUR' 000</b>	<b>Impairment RUR' 000</b>	<b>Carrying amount RUR' 000</b>
Lease installments receivable not past due	1 980 172	-	1 980 172
Past due not more than 1 month	318 994	(34)	318 960
Past due more than 1 month but less than 3 months	204 003	(2 871)	201 132
Past due more than 3 months but less than 6 month	152 228	(37 614)	114 614
Past due more than 6 months but less than 1 year	103 067	(38 624)	64 443
Past due more than 1 year	3 021	(2 212)	809
	<b>2 761 485</b>	<b>(81 355)</b>	<b>2 680 130</b>

The movement of gross investments in lease is as follows:

	<b>31 December 2011 RUR' 000</b>	<b>31 December 2010 RUR' 000</b>
Gross investments in lease at the beginning of the year	3 451 065	2 825 066
Gross investment in new leases	3 331 827	1 925 515
Repayment of gross investments in lease	(1 089 346)	(935 538)
Transfer to another group	(70 911)	(363 978)
<b>Gross investments in lease at the end of period</b>	<b>5 622 635</b>	<b>3 451 065</b>

## 9. Net investment in finance leases (continued)

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Balance at the beginning of the year	81 355	279 795
Charge for the period	15 256	48 222
Utilization	-	(2 381)
Reversal of the provision	(25 177)	(88 599)
Transfer to another group (Note 13 and 15)	(35 033)	(155 677)
Effect of translation to presentation currency	-	(5)
<b>Balance at the end of period</b>	<b>36 401</b>	<b>81 355</b>

At the end of the lease term all unpaid overdue lease payments are transferred to Trade and other receivables. In case of termination of lease a 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. Financial instruments

### 10.1 Financial instruments stated at amortised cost

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current</b>		
Mortgage loans	391 573	140 743
Other loans	19 227	2 720
<b>Total non-current</b>	<b>410 800</b>	<b>143 463</b>
<b>Current</b>		
Mortgage loans	9 269	73 185
Other loans	25 152	76 305
Impairment of other loans	(10 373)	(9 372)
Other loans, net	14 779	66 933
Term deposits	-	4 305
<b>Held-to-maturity investments</b>		
Corporate promissory notes	91 076	151 459
Impairment of corporate promissory notes	(91 076)	(151 459)
Corporate promissory notes, net	-	-
<b>Total current</b>	<b>24 048</b>	<b>144 423</b>
<b>Total financial instruments stated at amortised cost</b>	<b>434 848</b>	<b>287 886</b>

## 10. Financial instruments (continued)

### 10.1 Financial instruments stated at amortised cost (continued)

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Balance at the beginning of the period	160 831	33 165
Charge for the period	8 400	152 368
Reversal of the provision	(60 383)	(20 196)
Utilization	(7 399)	(4 506)
<b>Balance at the end of period</b>	<b>101 449</b>	<b>160 831</b>

Terms and repayment schedule is as follows:

	Currency	Nominal interest rate	Effective interest rate	Year of maturity
<b>Non-current</b>				
Mortgage loans	RUR/USD	9,6% – 16,6%	9,6% – 16,6%	2013-2037
Other loans	RUR/USD	9,9% – 19,5%	9,9% – 19,5%	2013-2029
<b>Current</b>				
Mortgage loans	RUR/USD	9,6% – 16,6%	9,6% – 16,6%	2012
Other loans	RUR/USD	5,5% – 24%	5,5% – 24%	2009-2012
Held-to-maturity investments	RUR	0%-14%	14%	2011

Mortgage loans include loans issued by OJSC Bank RESO Credit in RUR to individuals with fixed interest rates ranging from 13,95% to 15,6% and maturity in 2013-2033, and in USD with fixed interest rates ranging from 9,6% to 16,6% and maturity in 2013-2037.

Corporate promissory notes comprise promissory notes issued by OOO Tomneftegazstroy, in partial settlement of its indebtedness under a finance lease contract. Nominal value of these notes is RUR 76 495 thousand (2010: 147 345 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 2011 is RUR 91 076 thousand (2010: 151 459 thousand), discounted at effective interest rate of 14%. As of 31 December 2011 these notes are included in the provision for impairment of financial instruments in amount of RUR 91 076 thousand (2010: 151 459 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 2011 OOO Tomneftegazstroy has other liabilities to the Group for a total amount RUR 18 455 thousand. As of 31 December 2011, total credit risk exposure of OOO Tomneftegazstroy to the Group equals to RUR 117 184 thousand (31 December 2010: RUR 210 826 thousand) and total provision for this exposure equals to RUR 117 184 thousand (31 December 2010: RUR 169 269 thousand).



## 10. Financial instruments (continued)

### 10.1 Financial instruments stated at amortised cost (continued)

All of the Group's financial instruments stated at amortised cost have been reviewed for indicators of impairment. Certain financial instruments were found to be impaired and provision for impairment in the amount of RUR 101 449 thousand (31 December 2010: RUR 160 831 thousand) was created. The impaired receivables are mostly due from borrowers that are experiencing financial difficulties. The ageing of these financial instruments is as follows:

31 December 2011	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Not past due	434 434	(162)	434 272
Not more than 1 month	7 653	(7 653)	-
More than 1 month but not more than 3 months	497	(15)	482
More than 3 months but not more than 6 months	130	(65)	65
More than 6 months but not more than 1 year	117	(88)	29
More than 1 year	93 466	(93 466)	-
<b>Total</b>	<b>536 297</b>	<b>(101 449)</b>	<b>434 848</b>

  

31 December 2010	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Not past due	247 591	-	247 591
Not more than 1 month	151 459	(151 459)	-
More than 1 month but not more than 3 months	-	-	-
More than 3 months but not more than 6 months	218	-	218
More than 6 months but not more than 1 year	10 999	-	10 999
More than 1 year	38 450	(9 372)	29 078
<b>Total</b>	<b>448 717</b>	<b>(160 831)</b>	<b>287 886</b>

## 10. Financial instruments (continued)

### 10.2 Financial instruments at fair value through profit and loss

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current</b>		
Eurobonds	-	275 752
Bonds denominated in RUR	279 287	110 300
<b>Total non-current</b>	<b>279 287</b>	<b>386 052</b>
<b>Current</b>		
Promissory notes	116 580	169 366
Eurobonds	-	134 095
Derivative financial instruments	-	39
<b>Total current</b>	<b>116 580</b>	<b>303 500</b>
<b>Total financial instruments at fair value through profit and loss</b>	<b>395 867</b>	<b>689 552</b>

#### Non-current

Bonds denominated in RUR comprise bonds issued by OJSC SKB Bank, OJSC AIKB Tatfondbank, OJSC Pervobank, OJSC KB Centr-Invest, OJSC RTK-Lizing, LLC Rosgosstrah and OJSC AK Transaero.

#### Current

Promissory notes comprise notes issued by OJSC Hanty-Mansiyskiy Bank, OJSC Promsvyazbank and OJSC MDM-Bank.

Terms and repayment schedule is as follows:

	Maturity date		Interest rate	
	min	max	min	max
Promissory notes	January 2012	December 2012	7,7%	9,5%
Bonds	April 2012	November 2012	8,5%	11,85%

## 11. Tax assets

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current</b>		
VAT to be reclaimed	141 096	87 922
<b>Current</b>		
VAT to be reclaimed	398 063	170 774
Income tax receivable	42 630	30 283
Other tax prepayments	1 471	1 622
	<b>442 164</b>	<b>202 679</b>
<b>Total tax assets</b>	<b>583 260</b>	<b>290 601</b>

## 12. Deferred tax assets and liabilities

In thousands of RUR	Assets		Liabilities		Net	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Property and equipment	33	1	(7 203)	(577)	(7 170)	(576)
Intangible assets	-	6	(50 425)	(50 425)	(50 425)	(50 419)
Financial instruments	20 006	31 024	(4 407)	(5 906)	15 599	25 118
Net investment in finance leases	1 238	4 163	(60 253)	(24 305)	(59 015)	(20 142)
Trade and other receivables	63 176	30 089	-	-	63 176	30 089
Equipment held for sale	19 392	9 207	(32)	(344)	19 360	8 863
Equipment for leasing purposes	-	-	(97)	-	(97)	-
Other current assets	31 127	38 633	-	-	31 127	38 633
Financial liabilities	70 408	222	(71 791)	(4 348)	(1 383)	(4 126)
Provisions	1 512	2 227	-	-	1 512	2 227
Trade and other payables	13 019	4 761	-	-	13 019	4 761
Tax losses carried forward	124 632	-	-	-	124 632	-
	344 543	120 333	(194 208)	(85 905)	150 335	34 428

In thousands of RUR	Assets		Liabilities		Net	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Property and equipment	1	-	(577)	(754)	(576)	(754)
Intangible assets	6	3	(50 425)	(50 942)	(50 419)	(50 939)
Financial instruments	31 024	5 280	(5 906)	(6 301)	25 118	(1 021)
Net investment in finance leases	4 163	11 187	(24 305)	(5 115)	(20 142)	6 072
Trade and other receivables	30 089	24 144	-	-	30 089	24 144
Equipment held for sale	9 207	8 236	(344)	-	8 863	8 236
Other current assets	38 633	1 255	-	(658)	38 633	597
Financial liabilities	222	-	(4 348)	-	(4 126)	-
Provisions	2 227	-	-	-	2 227	-
Trade and other payables	4 761	3 404	-	-	4 761	3 404
	120 333	53 509	(85 905)	(63 770)	34 428	(10 261)

The applicable deferred tax rate for the Company and its subsidiaries domiciled in the Russian Federation is 20% (2010: 20%). The applicable deferred tax rate for subsidiaries domiciled in Belarus Republic is 18% (2010: 24%).

Movements in temporary differences during 2011 are as follows:

<u>In thousands of RUR</u>	<b>Balance 1 January 2011</b>	<b>Recognised in compre- hensive income</b>	<b>Effect of change in tax rate</b>	<b>Acquisition of subsidiary</b>	<b>Effect of translation</b>	<b>Balance 31 December 2011</b>
Property and equipment	(576)	930	-	(7 523)	(1)	(7 170)
Intangible assets	(50 419)	(6)	-	-	-	(50 425)
Financial instruments	25 118	(9 527)	1	-	7	15 599
Net investment in finance leases	(20 142)	(39 064)	25	-	166	(59 015)
Trade and other receivables	30 089	28 423	(150)	5 804	(990)	63 176
Equipment held for sale	8 863	10 023	32	227	215	19 360
Equipment for leasing purposes	-	(97)	-	-	-	(97)
Other current assets	38 633	(10 374)	-	2 869	(1)	31 127
Financial liabilities	(4 126)	2 747	-	-	(4)	(1 383)
Provisions	2 227	(1 585)	-	870	-	1 512
Trade and other payables	4 761	8 469	(82)	410	(539)	13 019
Other liabilities	-	740	-	(740)	-	-
Tax losses carried forward	-	(16 650)	-	141 282	-	124 632
	<b>34 428</b>	<b>(25 971)</b>	<b>(174)</b>	<b>143 199</b>	<b>(1 147)</b>	<b>150 335</b>

Movements in temporary differences during 2010 are as follows:

<u>In thousands of RUR</u>	<b>Balance 1 January 2010</b>	<b>Recognised in compre- hensive income</b>	<b>Acquisition of subsidiary</b>	<b>Effect of translation</b>	<b>Balance 31 December 2010</b>
Property and equipment	(754)	178	-	-	(576)
Intangible assets	(50 939)	520	-	-	(50 419)
Financial instruments	(1 021)	26 141	-	(2)	25 118
Net investment in finance leases	6 072	(26 250)	-	36	(20 142)
Trade and other receivables	24 144	5 981	-	(36)	30 089
Equipment held for sale	8 236	623	-	4	8 863
Other current assets	597	38 038	-	(2)	38 633
Financial liabilities	-	(4 126)	-	-	(4 126)
Provisions	-	2 227	-	-	2 227
Trade and other payables	3 404	1 388	-	(31)	4 761
	<b>(10 261)</b>	<b>44 720</b>	<b>-</b>	<b>(31)</b>	<b>34 428</b>

### 13. Trade and other receivables

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
VAT receivable from lessees	18 629	36 721
Impairment of VAT receivable from lessees	(1 075)	(4 278)
VAT receivable, net	17 554	32 443
Fines and penalties receivable	23 199	23 060
Impairment of fines and penalties receivable	(21 778)	(16 909)
Fines and penalties receivable, net	1 421	6 151
Other receivables	420 652	398 813
Impairment of other receivables	(313 736)	(228 941)
Other receivables, net	106 916	169 872
<b>Total trade and other receivables, net</b>	<b>125 891</b>	<b>208 466</b>

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.

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 336 589 thousand (31 December 2010: RUR 250 128 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 2011	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Receivables not past due	44 498	-	44 498
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
<b>Total</b>	<b>462 480</b>	<b>(336 589)</b>	<b>125 891</b>

### 13. Trade and other receivables (continued)

31 December 2010	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Receivables not past due	150 606	-	150 606
Not more than 1 month	10 182	(4)	10 178
More than 1 month but not more than 3 months	6 655	(100)	6 555
More than 3 months but not more than 6 months	19 980	(3 998)	15 982
More than 6 months but not more than 1 year	28 174	(11 742)	16 432
More than 1 year	242 997	(234 284)	8 713
<b>Total</b>	<b>458 594</b>	<b>(250 128)</b>	<b>208 466</b>

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Balance at the beginning of the period	250 128	119 968
Charge for the period	108 159	75 743
Acquisition of subsidiary	25 322	-
Reversal of the provision	(24 598)	(12 156)
Transfer from another group (Note 9)	35 033	68 303
Write-off	(53 331)	(1 577)
Effect from translation	(4 124)	(153)
<b>Balance at the end of period</b>	<b>336 589</b>	<b>250 128</b>

### 14. Equipment held for sale

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current</b>		
Equipment held for sale	39 942	-
Impairment of equipment held for sale	(15 630)	-
Non-current equipment held for sale, net	24 312	-
<b>Current</b>		
Equipment held for sale	92 699	194 993
Impairment of equipment held for sale	(8 820)	(29 704)
Current equipment held for sale, net	83 879	165 289
<b>Total equipment held for sale</b>	<b>108 191</b>	<b>165 289</b>

## 14. Equipment held for sale (continued)

At 31 December 2011 equipment held for sale in the amount of RUR 89 704 thousand (31 December 2010: RUR 54 710 thousand) represents equipment repossessed from lessees upon termination of lease contracts due to significant delays in lease payments and in the amount RUR 18 487 thousand (31 December 2010: RUR 110 579 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. The sale of all equipment is expected to be completed within one year from the date of seizure.

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Balance at the beginning of the period	29 704	21 288
Charge for the period	18 527	22 758
Reversal of the provision	(3 270)	(12 462)
Transfer to another group (Note 15)	(8 022)	-
Acquisition of subsidiary	1 137	-
Write-off	(13 626)	(1 880)
<b>Balance at the end of period</b>	<b>24 450</b>	<b>29 704</b>

## 15. Other current assets

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Prepayments for acquisition of equipment for leasing purposes	208 667	279 014
Impairment of prepayments for acquisition of equipment	(16 265)	(20 099)
Prepayments for acquisition of equipment for leasing purposes, net	192 402	258 105
Other prepayments	57 306	30 841
Impairment of other prepayments	(7 309)	(744)
Other prepayments, net	49 997	30 097
Equipment not returned	243 809	294 051
Impairment of equipment not returned	(187 729)	(220 700)
Equipment not returned, net	56 080	73 351
Consumables	25 494	486
Impairment of consumables	(12 169)	-
Consumables, net	13 325	486
Other assets	21 541	-
Impairment of other assets	-	-
Other assets, net	21 541	-
Required reserves at CBR	30 773	22 353
<b>Total other current assets</b>	<b>364 118</b>	<b>384 392</b>

## 15. Other current assets (continued)

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Balance at the beginning of the period	242 353	65 563
Charge for the period	71 847	96 110
Acquisition of subsidiary	14 320	-
Reversal of the provision	(54 125)	(2 073)
Write-off	(58 944)	(4 614)
Transfer from another group (Note 9 and 14)	8 022	87 374
Effect of translation to presentation currency	(1)	(7)
<b>Balance at the end of period</b>	<b>223 472</b>	<b>242 353</b>

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.

## 16. Cash and cash equivalents

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Cash at bank – current accounts	165 351	194 346
Cash at bank – deposit accounts	319 026	470 499
Cash in hand	28 859	10 710
<b>Total cash and cash equivalents</b>	<b>513 236</b>	<b>675 555</b>

Short term deposits placed with the Central Bank of the Russian Federation in December 2011 in the total nominal amount of RUR 235 000 thousand are bearing an interest rate of 4% per annum and maturity in January 2012.

Short term deposit placed with AKB Rosbank in July 2009 in nominal amount of USD 25 thousand (RUR 805 thousand) is non-interest bearing and maturity on demand.

Short term deposit placed with OJSC Alfa Bank in September 2011 in nominal amount of RUR 18 140 thousand are bearing an interest rate of 5.25% per annum and maturity on demand.

Short term deposit placed with CJSC Eurobank in the nominal amount of RUR 20 825 thousand (650 922 USD) was bearing an interest rate of 5% per annum and had maturity in January 2012 and one short term deposit placed with OJSC Sberbank in the nominal amount of RUR 44 000 thousand was bearing an interest rate of 5.7% per annum and had maturity in January 2012. The Group placed these deposits in December 2011.



## 17. Loans and borrowings

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current</b>		
Secured bank loans	1 282 313	1 053 064
Unsecured loans from related parties	1 391 492	582 000
Finance lease liabilities	89	726
	<b>2 673 894</b>	<b>1 635 790</b>
<b>Current</b>		
Secured bank loans	1 339 254	775 381
Promissory notes issued	-	190 987
Unsecured loans received from related parties	291 914	-
Derivative financial instruments	2 030	1 086
Finance lease liabilities	452	696
	<b>1 633 650</b>	<b>968 150</b>
<b>Total financial liabilities</b>	<b>4 307 544</b>	<b>2 603 940</b>

Terms and repayment schedule is as follows:

	Currency	Nominal interest rates	Effective interest rates	Year of maturity
<b>Non-current</b>				
Secured bank loans	RUR/USD/EUR	8,25% - 12%	8,26% - 15,27%	2013-2016
Finance lease liabilities	RUR	32,41%	32,41%	2013
Unsecured loans from related parties	RUR	8% - 10%	8% - 10%	2013-2015
<b>Current</b>				
Secured bank loans	RUR/USD/EUR	8,25%-12%	8,27% - 15,27%	2012
Finance lease liabilities	RUR/BYR	32,41%	32,41%	2012
Unsecured loans from related parties	RUR	8,5% - 10%	8,5% - 10%	2012

Non-current and current secured bank loans are secured by leased-out equipment in the value of RUR 3 550 206 thousand (2010: RUR 1 965 257 thousand) and by the rights of the Company to receive lease payments from lessees for the amount of RUR 195 322 thousand (2010: RUR 131 560 thousand).

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Expiring within one year – fixed rate	1 302 903	302 255
<b>Total undrawn borrowing facilities</b>	<b>1 302 903</b>	<b>302 255</b>

## 17. Loans and borrowings (continued)

Finance lease liabilities are as follows:

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Minimum lease payments</b>		
Less than one year	540	1 020
Between one and five years	91	834
<b>Total minimum lease payments</b>	<b>631</b>	<b>1 854</b>
<b>Future finance charge</b>	<b>(90)</b>	<b>(432)</b>
<b>Present value of finance lease liabilities</b>	<b>541</b>	<b>1 422</b>
Less than one year	452	696
Between one and five years	89	726
<b>Total finance lease liabilities</b>	<b>541</b>	<b>1 422</b>

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

## 18. Customer accounts and deposits

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Non-current term deposits</b>		
Insurance companies	93 848	134 083
Individuals	-	5 980
	<b>93 848</b>	<b>140 063</b>
<b>Current accounts and demand deposits</b>		
Insurance companies	437 063	86 429
Other legal entities	5 874	5 286
Individuals	22 134	9 351
	<b>465 071</b>	<b>101 066</b>
<b>Current term deposits</b>		
Insurance companies	212 991	691 331
Other legal entities	-	146 283
Individuals	171 139	121 201
	<b>384 130</b>	<b>958 815</b>
<b>Total customer accounts and deposits</b>	<b>943 049</b>	<b>1 199 944</b>

Terms and repayment schedule is as follows:

	Currency	Nominal interest rates	Effective interest rates	Year of maturity
Non-current customer deposits	USD/RUR	6% - 9%	6% - 9%	2013
Current customer deposits	USD/RUR/EUR	4% - 12%	4% - 12%	2012

## 19. Trade and other payables

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Trade payables	28 912	11 149
Accrued expenses	75 289	23 087
Other payables	68 278	52 108
<b>Total trade and other payables</b>	<b>172 479</b>	<b>86 344</b>

## 20. Tax liabilities

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
VAT payable	9 976	21 926
Other taxes payable	20 610	15 230
<b>Total tax liabilities</b>	<b>30 586</b>	<b>37 156</b>

## 21. Provisions

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Provisions at the beginning of the period	11 134	-
Charge for the period	860	11 134
Reversal for the period	(7 843)	-
Acquisition of subsidiary	4 349	-
Write off	(938)	-
<b>Provisions at the end of the period</b>	<b>7 562</b>	<b>11 134</b>

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

## 22. Other liabilities

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
VAT from advances received from lessees for commenced and non commenced leases	285 672	173 849
Advances received from lessees for finance leases not commenced at year end or ahead of the schedule	226 439	159 317
Deferred income	23	5
<b>Total other liabilities</b>	<b>512 134</b>	<b>333 171</b>

## 23. 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
<b>Balance as of</b>						
<b>31 December 2009</b>	<b>2 280 000</b>	<b>18 168</b>	<b>(4 389)</b>	<b>2 293 779</b>	<b>6 279</b>	<b>2 300 058</b>
Non-dividend distribution to participants	-	(58 691)	-	(58 691)	-	(58 691)
Dividends paid	-	-	-	-	(741)	(741)
Loss for the year	-	(85 036)	-	(85 036)	(316)	(85 352)
Effect of translation to presentation currency	-	-	(1 622)	(1 622)	-	(1 622)
<b>Balance as of</b>						
<b>31 December 2010</b>	<b>2 280 000</b>	<b>(125 559)</b>	<b>(6 011)</b>	<b>2 148 430</b>	<b>5 222</b>	<b>2 153 652</b>
Non-dividend distribution to participants	-	(91 365)	-	(91 365)	-	(91 365)
Profit for the year	-	198 636	-	198 636	(1 073)	197 563
Effect of translation to presentation currency	-	-	(33 152)	(33 152)	-	(33 152)
Increase in charter fund	220 000	(220 000)	-	-	-	-
Acquisition of subsidiary	-	-	-	-	65	65
<b>Balance as of</b>						
<b>31 December 2011</b>	<b>2 500 000</b>	<b>(238 288)</b>	<b>(39 163)</b>	<b>2 222 549</b>	<b>4 214</b>	<b>2 226 763</b>

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.

In 2011 year the Company made non-dividend distributions to participants in the amount of RUR 91 365 thousand (2010: RUR 58 691 thousand).

## 24. Finance income

	2011 RUR' 000	2010 RUR' 000
Income on finance lease	892 538	579 266
Interest income	132 232	160 364
Net trading income from financial instruments at fair value through profit and loss	6 224	-
<b>Total finance income</b>	<b>1 030 994</b>	<b>739 630</b>

## 25. Finance cost

	2011 RUR' 000	2010 RUR' 000
Interest expense	379 387	280 834
Net trading loss from financial instruments at fair value through profit and loss	-	2 535
<b>Total finance cost</b>	<b>379 387</b>	<b>283 369</b>

## 26. Impairment losses

Movements in the impairment losses are as follows:

	2011 RUR' 000	2010 RUR' 000
<b>Property &amp; equipment</b>		
Charge for the period	2 162	-
<b>Net investment in finance leases</b>		
Charge for the period	15 256	48 222
Reversal of the provision	(25 177)	(88 599)
<b>Financial instruments</b>		
Charge for the period	8 400	152 368
Reversal of the provision	(60 383)	(20 196)
<b>Trade and other receivables</b>		
Charge for the period	108 159	75 743
Reversal of the provision	(24 598)	(12 156)
<b>Equipment held for sale</b>		
Charge for the period	18 527	22 758
Reversal of the provision	(3 270)	(12 462)
<b>Other assets</b>		
Charge for the period	71 847	96 110
Reversal of the provision	(54 125)	(2 073)
<b>Total impairment losses</b>	<b>56 798</b>	<b>259 715</b>

## 27. Other operating income

	2011 RUR' 000	2010 RUR' 000
Fines and penalties	39 879	36 545
Income from vehicle maintenance services	10 527	-
Other operating income	40 898	7 760
<b>Total other operating income</b>	<b>91 304</b>	<b>44 305</b>

## 28. Operating expenses

	2011 RUR' 000	2010 RUR' 000
Wages, salaries and other related social costs	339 324	196 157
Rent expenses	40 179	19 257
Depreciation and amortization	18 473	15 003
Marketing and advertising expenses	16 961	13 256
Audit, information and consulting services	15 303	15 138
Software expenses	10 886	6 859
Office expenses	10 779	7 506
Telecommunication expenses	8 582	6 135
Travel & representation expenses	7 757	1 842
Repair, maintenance and fuel expenses	7 318	8 456
Taxes	6 547	6 073
Insurance expenses	6 550	3 913
Bank commission	4 926	3 644
Other expenses	16 392	9 146
<b>Total operating expenses</b>	<b>509 977</b>	<b>312 385</b>

## 29. Income tax expense

	2011 RUR' 000	2010 RUR' 000
<b>Current</b>		
Current income tax expense	28 784	28 510
<b>Deferred</b>		
Reversal of timing differences	25 971	(44 720)
Effect of change in tax rate from 24% to 18%	174	-
<b>Total income tax (benefit) in the statement of comprehensive income</b>	<b>54 929</b>	<b>(16 210)</b>

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

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Profit/Loss before tax	252 492	(101 562)
Income tax at the applicable corporate tax rate	50 498	(20 312)
Effect of change in tax rate from 24% to 18%	174	-
Net non-deductible costs and non-taxable income	4 257	4 102
<b>Total income tax (benefit) in the statement of comprehensive income</b>	<b>54 929</b>	<b>(16 210)</b>

### 30. Derivatives

The following table provides analysis of derivative financial instruments held by the Group as of 31 December 2011:

<u>In thousands of RUR</u>		Fair value		Average weighted interest rate
	Amount per contract	Assets	Liabilities	
<i>Foreign exchange derivative contracts</i>				
Buy Roubles Sell US dollars	107 518	-	(1 949)	31,62
Buy Euro Sell US dollars	8 334	-	(81)	1,31
	115 852	-	(2 030)	

The forward exchange contracts fall due in January 2012.

The following table provides analysis of derivative financial instruments held by the Group as of 31 December 2010:

<u>In thousands of RUR</u>		Fair value		Average weighted interest rate
	Amount per contract	Assets	Liabilities	
<i>Foreign exchange derivative contracts</i>				
Buy Roubles Sell US dollars	334 160	-	(1 086)	30,38
Buy Euro Sell US dollars	35 896	39	-	1,32
	370 056	39	(1 086)	

The forward exchange contracts fall due in January 2011.

The derivatives are not traded on an active market based on quoted prices, but are individual contracts. The fair value of the derivatives is determined using valuation techniques that maximize the use of observable market data, where available (Level 2).

### 31. 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 financial liabilities (refer to Note 17 "Loans and borrowings" and Note 18 "Customer accounts and deposits"), cash and cash equivalents and net assets attributable to participants. Capital structure is reviewed by the Board of Directors on regular basis.

## 31. Risk management (continued)

On 31 December 2011 debt-to-capital ratios were as follows:

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Loans and borrowings	4 307 544	2 603 939
Customer accounts and deposits	943 049	1 199 944
Less: Unsecured loans from related parties	(1 683 406)	(582 000)
Less: Promissory notes acquired by related parties	-	(43 887)
Less: Cash and cash equivalents	(513 236)	(675 555)
Net debt	3 053 951	2 502 441
Unsecured loans from related parties	1 683 406	582 000
Promissory notes acquired by related parties	-	43 887
Net assets attributable to participants	2 226 763	2 153 652
Net debt	3 053 951	2 502 441
Total net capital	6 964 120	5 281 980
<b>Debt-to-capital ratio</b>	<b>44%</b>	<b>47%</b>

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 uses 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 2011 RUR' 000	31 December 2010 RUR' 000
<b>Financial assets</b>		
Net investments in finance leases	4 475 592	2 680 130
Financial instruments	830 715	977 438
Trade and other receivables	125 891	208 466
Cash and cash equivalents	513 236	675 555
<b>Financial liabilities</b>		
Secured bank loans	2 621 567	1 828 445
Promissory notes issued	-	190 987
Unsecured loans from related parties	1 683 406	582 000
Unsecured loans received from third parties	-	-
Derivative financial instruments	2 030	1 086
Customer accounts and deposits	943 049	1 199 944
Finance lease liabilities	541	1 422
Trade and other payables	172 479	86 344

### 31.1 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.



## 31. Risk management (continued)

### 31.1 Credit risk analysis (continued)

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. If such contractors are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the contractor, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal and external ratings in accordance with limits set by the credit committee. The utilisation of credit limits is regularly monitored.

At the date of the end of the reporting period there were no significant concentrations of credit risk. Net investments in finance leases consist of a large number of contractors, 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 statement of financial position. The Group has collateral in respect of net investments in finance leases.

### 31.2 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 scheduled debt servicing payment for non-current 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 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
<b>Financial liabilities</b>						
<u>Non-derivative liabilities</u>						
Secured bank loans	2 621 567	780 629	760 343	1 046 808	324 167	2 911 947
Unsecured loans from related parties	1 683 406	205 086	173 530	326 553	1 283 954	1 989 123
Customer accounts and deposits	943 049	601 709	348 785	19 842	-	970 336
Finance lease liabilities	541	270	270	91	-	631
Trade and other payables	172 479	172 479	-	-	-	172 479
<b>Total non-derivative liabilities</b>	<b>5 421 042</b>	<b>1 760 173</b>	<b>1 282 928</b>	<b>1 393 294</b>	<b>1 608 121</b>	<b>6 044 516</b>
<u>Derivative liabilities</u>						
Inflow	-	(115 852)	-	-	-	(115 852)
Outflow	2 030	117 882	-	-	-	117 882
<b>Total non-derivative liabilities</b>	<b>2 030</b>	<b>2 030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 030</b>
<b>Total financial liabilities</b>	<b>5 423 072</b>	<b>1 762 203</b>	<b>1 282 928</b>	<b>1 393 294</b>	<b>1 608 121</b>	<b>6 046 546</b>

## 31. Risk management (continued)

### 31.2 Liquidity risk (continued)

31 December 2010	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
<b>Financial liabilities</b>						
<u>Non-derivative liabilities</u>						
Secured bank loans	1 828 445	458 818	461 862	740 918	405 956	2 067 554
Promissory notes issued	190 987	119 376	78 862	-	-	198 238
Unsecured loans from related parties	582 000	-	-	-	734 203	734 203
Customer accounts and deposits	1 199 944	488 610	616 980	147 279	6 703	1 259 572
Finance lease liabilities	1 422	547	473	743	91	1 854
Trade and other payables	86 344	86 344	-	-	-	86 344
<b>Total non-derivative liabilities</b>	<b>3 889 142</b>	<b>1 153 695</b>	<b>1 158 177</b>	<b>888 940</b>	<b>1 146 953</b>	<b>4 347 765</b>
<u>Derivative liabilities</u>						
Outflow	1 086	(370 056)	-	-	-	(370 056)
Inflow	(39)	371 103	-	-	-	371 103
<b>Total non-derivative liabilities</b>	<b>1 047</b>	<b>1 047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 047</b>
<b>Total financial liabilities</b>	<b>3 890 189</b>	<b>1 154 742</b>	<b>1 158 177</b>	<b>888 940</b>	<b>1 146 953</b>	<b>4 348 812</b>

### 31.3 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 uses derivative financial instruments to hedge foreign currency risk exposure, at the same time management is trying 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 2011		31 December 2010	
	USD RUR' 000	EUR RUR' 000	USD RUR' 000	EUR RUR' 000
<b>Financial assets</b>				
Net investment in finance leases	153 441	44 512	157 236	6 431
Loans issued	406 733	-	184 452	2 824
Financial instruments designated at fair value through profit and loss	-	-	409 847	-
Trade and other receivables	1 445	-	81 402	160
Cash and cash equivalents	55 806	9 350	24 749	8 183
<b>Total financial assets</b>	<b>617 425</b>	<b>53 862</b>	<b>857 686</b>	<b>17 598</b>

## 31. Risk management (continued)

### 31.3 Foreign exchange rate risk (continued)

	31 December 2011		31 December 2010	
	USD RUR' 000	EUR RUR' 000	USD RUR' 000	EUR RUR' 000
<b>Financial liabilities</b>				
Secured bank loans	(16 169)	(24 592)	(30 384)	(7 205)
Derivative financial instruments	(2 030)	-	-	-
Customer deposits	(321 339)	(12 393)	(289 536)	(51 329)
Trade and other payables	(335)	(4 774)	(910)	(2 256)
<b>Total financial liabilities</b>	<b>(339 873)</b>	<b>(41 759)</b>	<b>(320 830)</b>	<b>(60 790)</b>
<b>Off-balance derivative financial instruments</b>	<b>(115 933)</b>	<b>8 415</b>	<b>(370 056)</b>	<b>35 896</b>
<b>Net position</b>	<b>161 619</b>	<b>20 518</b>	<b>166 800</b>	<b>(7 296)</b>

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 represent's 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% (2010: 10%) then this would had the following impact:

Foreign currency	31 December 2011		31 December 2010	
	Statement of comprehensive income RUR' 000	Net assets attributable to participants RUR' 000	Statement of comprehensive income RUR' 000	Net assets attributable to participants RUR' 000
USD	(16 162)	(16 162)	(16 680)	(16 680)
EUR	(2 052)	(2 052)	727	727

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.

### 31.4 Interest rate risk

Interest rate risk is the risk that movements in floating rates will adversely impact the financial results of the Group. The Group incurs interest rate risk primarily on financial liabilities. Average effective interest rates are disclosed in Note 17 "Loans and borrowings" and Note 18 "Customer accounts and deposits" of these financial statements. All of the Group's financial 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.

## 31. Risk management (continued)

### 31.5 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 2011 and 31 December 2010 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 immediate sale of the assets or settlement of liabilities.

The estimated fair values of financial instruments at fair value through profit or loss are based on quoted market prices and exchange rates ruling at the date of the end of the reporting period without any deduction for transaction costs.

The estimated fair values of financial assets and liabilities with floating interest rates are usually equal to the carrying amounts. The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the date of the end of the reporting period.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs have a significant effect on the recorded fair value that is not based on observable market data.

The following table shows an analysis of financial instruments at fair value by level of the fair value hierarchy as of 31 December 2011:

	Level 1 RUR'000	Level 2 RUR'000	Level 3 RUR'000	Total RUR'000
<b>Financial assets and liabilities</b>				
Total financial instruments at fair value through profit and loss, including derivative financial instruments	279 287	114 550	-	393 837

The following table shows an analysis of financial instruments at fair value by level of the fair value hierarchy as of 31 December 2010:

	Level 1 RUR'000	Level 2 RUR'000	Level 3 RUR'000	Total RUR'000
<b>Financial assets and liabilities</b>				
Total financial instruments at fair value through profit and loss, including derivative financial instruments	520 147	168 319	-	688 466

## 32. Contingencies

### 32.1 Litigation

As of 31 December 2011 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 7 562 thousand (2010: 11 134 thousand) in case the risk of a loss should arise. These provisions cover all losses according to the most negative scenario for the Group.

### 32.2 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.

## 33. Related party transactions

### 33.1 Transactions with key management personnel

Transactions with key management are as follows:

	2011 RUR' 000	2010 RUR' 000
Compensation to key management	31 884	21 021
Interest income	299	18
Interest expense	3 167	3 787
Other income	1 000	-

Period-end balances:

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
Customer deposits	67 586	5 507
Loans issued	1 661	-
Trade and other receivables	2 550	-
Trade and other payables	1 838	-

### 33. Related party transactions (continued)

#### 33.2 Transactions with participants

Transactions carried out during the period:

	2011 RUR' 000	2010 RUR' 000
Non-dividend distribution to participants	91 365	58 691

#### 33.3 Transactions with other related parties

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

	2011 RUR' 000	2010 RUR' 000
Interest expense	77 390	124 095
Other income	8 501	-
Income on finance leases	582	2 974
<b>Assets and services acquired</b>		
Payments for insurance on behalf of lessees to Reso Garantia	15 784	19 331
Other payments for insurance to Reso Garantia	7 227	3 078
Operational lease of premises (net of VAT) from Reso Garantia	4 376	12 338

Period-end balances:

	31 December 2011 RUR' 000	31 December 2010 RUR' 000
<b>Financial liabilities / Trade and other payables</b>		
Loans payable	1 683 406	582 000
Current account and deposits	747 259	1 059 171
Promissory notes issued	-	43 887
Off-balance obligations (guarantees issued)	57 522	4 089
<b>Other receivables</b>	-	2
<b>Net investment in finance leases</b>	<b>1 518</b>	<b>5 092</b>

### 34. Commitments

#### 34.1 Lease commitments

At 31 December 2011 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 269 743 thousand (31 December 2010: RUR 338 118 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 124 133 thousand (31 December 2010: RUR 135 819 thousand) for these contracted lease agreements.

## 34. Commitments (continued)

### 34.2 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 2011 RUR'000	31 December 2010 RUR'000
Within 1 year	40 782	37 487
Between 1 and 2 year	30 980	26 497
Between 2 and 3 year	-	26 865
<b>Total operating lease commitments</b>	<b>71 762</b>	<b>90 849</b>

In 2011 RUR 40 179 thousand was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases (2010: RUR 19 257 thousand).

### 34.3 Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	31 December 2011 RUR'000	31 December 2010 RUR'000
<b>Contracted amount</b>		
Guarantees and letters of credit	57,522	4,089
Undrawn loan commitments	57,142	45,738
<b>Total commitments</b>	<b>114,664</b>	<b>49,827</b>

Some of the above commitments may expire or terminate without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash outflows.

## 35. Principal subsidiaries

Entity	Principal activities	Country of incorporation	Ownership	
			31.12.11	31.12.10
SOOO RESO-BELLEASING	Finance lease services	Belarus	99,68%	99,68%
OOO RESOTRUST	Finance lease services	Russia	99,00%	99,00%
OJSC BANK RESO CREDIT	Banking	Russia	100,00%	100,00%