Consolidated financial statements

OOO RESO-LEASING

31 December 2010

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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 2010 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 2010, 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
31 March 2011

Consolidated Statement of Financial Position

	Notes	**31 December 2010 RUR' 000**	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Assets				
Non-current				
Goodwill	6	**671 286**	671 286	671 286
Other intangible assets	7	**266 607**	273 675	5 848
Property and equipment	8	**17 578**	12 166	6 375
Equipment purchased for leasing purposes		**53 571**	11 925	-
Net investment in finance leases	9	**1 174 290**	674 187	1 603 706
Financial instruments	10	**529 515**	245 060	-
Tax assets	11	**87 922**	57 226	86 144
Deferred tax assets	12	**34 428**	-	-
		2 835 197	1 945 525	2 373 359
Current				
Net investment in finance leases	9	**1 505 840**	1 435 174	2 099 209
Trade and other receivables	13	**208 466**	67 633	157 892
Tax assets	11	**202 679**	127 383	328 660
Equipment held for sale	14	**165 289**	504 341	107 782
Financial instruments	10	**447 923**	577 353	5 887
Other current assets	15	**384 392**	169 988	135 844
Cash and cash equivalents	16	**675 555**	241 126	131 143
		3 590 144	3 122 998	2 966 417
Total Assets		**6 425 341**	5 068 523	5 339 776
Liabilities				
Non-current liabilities excluding net assets attributable to participants				
Financial liabilities	17	**1 775 853**	1 308 591	717 931
Deferred tax liabilities	12	**-**	10 261	22 788
		1 775 853	1 318 852	740 719
Current liabilities				
Financial liabilities	17	**1 926 965**	1 036 746	1 715 313
Trade and other payables	18	**187 410**	186 852	38 350
Tax liabilities	19	**37 156**	21 860	19 333
Provisions	20	**11 134**	-	-
Other liabilities	21	**333 171**	204 155	269 662
		2 495 836	1 449 613	2 042 658
Net assets attributable to participants	22	**2 153 652**	2 300 058	2 556 399
Total Liabilities		**6 425 341**	5 068 523	5 339 776

The consolidated financial statements were approved by Management on 31 March 2011.

General Director

OOO Reso-Leasing
A. Mokin

Financial Director

OOO Reso-Leasing
A. Kostylev

Consolidated Statement of Comprehensive Income

	Notes	2010 RUR' 000	2009 RUR' 000
Finance income	23	**739 630**	701 702
Finance cost	24	**(283 369)**	(318 013)
Net finance income		**456 261**	383 689
Impairment losses	25	**(204 686)**	(417 619)
Net finance income after impairment		**251 575**	(33 930)
Other operating income	26	**44 305**	27 493
Net results from derecognition of finance leases		**(62 156)**	9 355
Loss on disposal of assets		**(20 108)**	(3 579)
Operating expenses	27	**(312 385)**	(205 408)
Non-operating gains and losses		**-**	(14 858)
Net result from foreign currencies		**(2 793)**	(24 338)
Profit (loss) before income tax		**(101 562)**	(245 265)
Income tax benefit	28	**16 210**	39 236
Loss for the period		**(85 352)**	(206 029)
Other comprehensive income			
Changes in translation reserve		**(1 622)**	(8 444)
Other comprehensive loss for the period, net of tax		**(1 622)**	(8 444)
Total comprehensive loss for the period		**(86 974)**	(214 473)
Loss for the period attributable to:			
Participants of OOO Reso-Leasing		**(85 036)**	(205 132)
Non-controlling interest		**(316)**	(897)
Total comprehensive loss attributable to:			
Participants of OOO Reso-Leasing		**(86 658)**	(213 576)
Non-controlling interest		**(316)**	(897)

Consolidated Statement of Cash Flows

	Note	2010 RUR' 000	2009 RUR' 000
Cash flows from operating activities			
Loss for the period before taxation		**(101 562)**	(245 265)
Adjustments for:			
Depreciation and amortisation		**15 003**	7 865
Loss from disposal of property and equipment		**(34)**	(50)
Exchange difference on revaluation of monetary items in foreign currency		**(52)**	32 704
Changes in accrued expenses and provisions		**19 425**	(10 566)
Accrued income tax from non-dividend distributions to participants		**(12 270)**	-
Impairment losses		**204 686**	417 619
Fair value valuation of loans and borrowings		**(21 741)**	(47)
Utilization of provisions		**(8 942)**	-
Write-off of assets		**(1 402)**	-
Interest income		**(160 364)**	(79 911)
Interest expense		**280 834**	318 013
		213 581	440 362
Net decrease (increase) of investments in finance lease		**(380 947)**	1 346 706
Net decrease (increase) of equipment acquired for leasing purposes		**(41 717)**	(11 925)
Decrease (increase) in trade and other receivables		**(271 276)**	(10 628)
Decrease (increase) in tax and other assets		**(458 728)**	188 798
Decrease (increase) in equipment held for sale		**330 636**	(407 979)
Increase (decrease) in trade and other payables		**(7 535)**	(64 958)
Increase (decrease) in tax and other liabilities		**144 730**	(62 537)
Interest paid		**(242 887)**	(286 462)
Income tax paid		**(4 767)**	(52 405)
Net cash from / (used in) operating activities		**(718 910)**	1 078 972
Cash flows from investing activities			
Acquisition of subsidiary, net of cash		**-**	(350 058)
Sales (purchases) of securities		**(278 563)**	(237 479)
Loans returned (issued)		**8 968**	27 717
Proceeds from disposals of property and equipment		**464**	1 996
Disposal (acquisition) of other financial instruments		**(4 305)**	-
Interest income received		**151 573**	64 647
Purchase of property and equipment		**(12 816)**	(3 010)
Purchase of intangible assets		**(1 010)**	(747)
Net cash used in investing activities		**(135 689)**	(496 934)

Consolidated Statement of Cash Flows (continued)

	Note	2010 RUR' 000	2009 RUR' 000
Cash flows from financing activities			
Net receipt (repayment) of loans and borrowings		**641 109**	(514 272)
Net increase (repayment) of finance lease liabilities		**617**	(192)
Net increase (repayment) of other financial liabilities		**1 086**	-
Attraction (repayment) of customer term deposits		**705 804**	85 716
Non-dividend distribution to participants		**(58 691)**	(41 868)
Dividends paid to minorities		**(741)**	-
Net cash from / (used in) financing activities		**1 289 184**	(470 616)
Effect of exchange rate changes on cash and cash equivalents		**(156)**	(1 439)
Net increase in cash and cash equivalents		**434 429**	109 983
Cash and cash equivalents at beginning of period	16	**241 126**	131 143
Cash and cash equivalents at end of period	16	**675 555**	241 126

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 (0,5%) and Reso Investments Limited (99,5%), 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 2010 was 201 (2009: 150).

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 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 "Income tax" and Note 12 "Deferred tax assets and liabilities" in respect of recognition of deferred tax liabilities;
- Note 20 "Provisions" and Note 31.1 "Litigation" in respect of pending litigations;
- Note 31.2 "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.

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.

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:

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

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

3. Summary of significant accounting policies (continued)

3.4 Assets held for sale

Assets are classified in the 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.

3.6 Leases

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

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

3. Summary of significant accounting policies (continued)

3.6 Leases (continued)

Assets leased under finance lease arrangements are carried on the lessees' accounts. Customs duties, insurance, transportation and other costs incurred in making the asset available to the lessee are excluded from lease payments and accordingly are not charged to the Group's 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.

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

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

3. Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

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

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

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at 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.

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

3. Summary of significant accounting policies (continued)

3.9 Impairment (continued)

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

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

All impairment losses in respect of loans and receivables are recognized in the 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.

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

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

3. Summary of significant accounting policies (continued)

3.10 Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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.

3.14 Employee benefits

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

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

3. Summary of significant accounting policies (continued)

3.15 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the 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 of the liability settled, based on the tax rates that have been enacted or substantively enacted at the date of the end of the reporting period.

3.16 Value Added Tax

Value added tax related to sales is payable to tax authorities upon accrual of revenue from services rendered to customers. Input VAT is generally reclaimable against sales VAT upon accrual for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the date of the end of the reporting period (VAT deferred) is recognised in the 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.

3.19 Reclassifications

The management of the Group has revised the presentation of consolidated financial statements for the year ended 31 December 2009 and 31 December 2008 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 30 June 2010, the Group presents past due receivable for cancelled lease agreements within Trade and other receivables. The Group previously presented past due receivable for cancelled lease agreements as Net investment in lease in its consolidated statement of financial position for the year ended 31 December 2009.

3. Summary of significant accounting policies (continued)

3.19 Reclassifications (continued)

With effect from 30 June 2010, the Group presents equipment not returned for cancelled lease agreements within Other current assets. The Group previously presented equipment not returned for cancelled lease agreements as Net investment in lease in its consolidated statement of financial position for the year ended 31 December 2009.

With effect from 30 June 2010, the Group presents gain and loss from trading securities within finance income in the consolidated statement of comprehensive income. The Group previously presented this item as separate item in its consolidated statement of comprehensive income for the year ended 31 December 2009.

With effect from 30 June 2010, the Group presents loss on disposal of assets as separate item in the consolidated statement of comprehensive income. The Group previously presented this item within Operating expenses in its consolidated statement of comprehensive income for the year ended 31 December 2009.

With effect from 30 June 2010, the Group presents losses on disposal of equipment held for sale as impairment losses in the consolidated statement of comprehensive income. The Group previously presented this item within Net results from derecognition of finance leases in its consolidated statement of comprehensive income for the year ended 31 December 2009.

The following table shows changes in the consolidated statement of financial position as at 31 December 2009:

	31 December 2009 RUR'000 (as previously reported)	Reclassifications RUR'000	**31 December 2009 RUR'000 (as adjusted)**
Current assets			
Net investments in finance lease	1 469 936	(34 762)	1 435 174
Trade and other receivables	51 367	16 266	67 633
Other current assets	151 492	18 496	169 988

The following table shows changes in the consolidated statement of financial position as at 31 December 2008:

	31 December 2008 RUR'000 (as previously reported)	Reclassifications RUR'000	**31 December 2008 RUR'000 (as adjusted)**
Current assets			
Net investments in finance lease	2 123 532	(24 323)	2 099 209
Trade and other receivables	142 081	15 811	157 892
Other current assets	127 332	8 512	135 844

3. Summary of significant accounting policies (continued)

3.19 Reclassifications (continued)

The following table shows changes in the consolidated statement of comprehensive income as at 31 December 2009:

	2009 RUR'000 (as previously reported)	Reclassifications RUR'000	**2009 RUR'000 (as adjusted)**
Finance income	681 320	20 382	**701 702**
Net income from trading securities	20 382	(20 382)	**-**
Impairment losses	(412 640)	(4 979)	**(417 619)**
Net results from derecognition of finance leases	4 376	4 979	**9 355**
Loss on disposal of assets	-	(3 579)	**(3 579)**
Operating expenses	(208 987)	3 579	**(205 408)**

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:

- IAS 39 "Financial Instruments: Recognition and Measurement" – "Eligible Hedge Items" (effective for annual periods beginning on or after 1 July 2009) – The amendment to IAS 39 was issued in August 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.
- IFRS 2 "Share – based Payment" – "Group Cash – settled Share – based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010). The objective of this IFRS is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.
- IFRIC 17 "Distribution of Non – Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009). The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. Obligation to distribute non-cash assets to owners as dividends should be evaluated by the fair value of assets available for distribution. Profit or loss on disposal of distributed non-cash asset will be recognized in the profit or loss statement at the time of dividends distribution.
- "Improvements to International Financial Reporting Standards" (issued in April 2009).

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

4. New Standards and Interpretations (continued)

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 2010 and the date of authorisation of these financial statements, and have not been applied by the Company in preparing these financial statements. These new Standards and Interpretations are:

- Amendments to IAS 32 titled "*Classification of Rights Issues*" (as part of Improvements to IFRSs reports issued in February 2010). The amendment was issued in October 2009. It address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). It provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature.
- IAS 24 "Related Party Disclosure" (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011) IAS 24 was revised in 2009, in result:
  1) The definition of a related party was modified
  2) The disclosures for government-related entities were simplified
- IFRS 9 "Financial Instruments Part 1: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2013) was issued in November 2009 and will replace those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.
- "Improvements to International Financial Reporting Standards" (issued in May 2010 and effective for annual periods beginning on or after 1 January 2011).

5. Acquisition of subsidiaries

On 22 July 2009 the Group purchased 100% shareholding interest of OJSC Bank RESO Credit for RUR 565 000 thousand. The principal activities of Bank RESO Credit are deposit taking, lending and customer settlements as well as operations with securities and foreign exchange operations. Effective control over Bank RESO Credit commenced from 31 July 2009.

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. Results of Bank RESO Credit were included in the Group's profit for the five months period ending 31 December 2009.

A summary of fair values of assets and liabilities of Bank RESO Credit at the date of acquisition is presented as follows:

	Fair value of assets and liabilities of Bank Reso Credit as of 31 July 2009 RUR' 000
Assets	
Property and equipment	7 642
Intangible assets	272 125
Financial instruments	633 916
Deferred tax assets	2 444
Tax assets	9 978
Equipment held-for-sale	6 444
Other assets	4 778
Cash and cash equivalents	214 942
	1 152 269
Liabilities	
Deferred tax liabilities	50 425
Financial liabilities	312 615
Trade and other payables	221 827
Other liabilities	2 402
	587 269
Net identifiable assets	**565 000**
Share of the Group in the net identifiable assets	**100%**
Consideration paid	**565 000**

The Group has determined fair value of net identifiable assets of the acquire as of acquisition date. As a result, a banking license with the fair value of RUR 252 125 thousand and indefinite useful life has identified as an intangible asset. During the measurement period ended 31 July 2010 fair values of banking license and deferred tax liabilities were adjusted for RUR 180 thousand.

6. Goodwill

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

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

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

For the purposes of impairment testing, the Group has allocated the goodwill to the cash generating unit consisting of OOO RESO-LEASING and OOO RESOTRUST. As of 31 December 2010, 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 12%.

As a result of the goodwill impairment testing, the recoverable amount of the cash generating unit equals to RUR 3 204 960 thousand and is higher than the carrying value of net identifiable assets including Goodwill. Therefore, no impairment loss was recognised as of 31 December 2010.

7. Other intangible assets

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

7. Other intangible assets (continued)

In thousands of RUR	Bank licenses RUR' 000	Acquired software licenses RUR' 000	Assets under development RUR' 000	Total RUR' 000
Cost				
1 January 2009	-	7 131	729	7 860
Additions	252 125	747	-	252 872
Acquisition of subsidiary	-	22 430	-	22 430
Transfers	-	729	(729)	-
31 December 2009	252 125	31 037	-	283 162
Amortisation				
At 1 January 2009	-	2 012	-	2 012
Amortisation charge	-	5 045	-	5 045
Acquisition of subsidiary	-	2 430	-	2 430
31 December 2009	-	9 487	-	9 487
Carrying value				
31 December 2009	252 125	21 550	-	273 675
31 December 2008	-	5 119	729	5 848

In thousands of RUR	Acquired software licenses RUR' 000	Assets under development RUR' 000	Total RUR' 000
Cost			
1 January 2008	-	-	-
Additions	-	-	-
Acquisition of subsidiary	7 131	729	7 860
Transfers	-	-	-
31 December 2008	7 131	729	7 860
Amortisation			
At 1 January 2008	-	-	-
Amortisation charge	-	-	-
Acquisition of subsidiary	2 012	-	2 012
31 December 2008	2 012	-	2 012
Carrying value			
31 December 2008	5 119	729	5 848
31 December 2007	-	-	-

8. Property and equipment

In thousands of RUR	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
Cost					
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**
Depreciation					
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**
Carrying value					
31 December 2010	**3 100**	**10 017**	**4 461**	**-**	**17 578**
31 December 2009	4 584	2 865	4 717	-	12 166

In thousands of RUR	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
Cost					
1 January 2009	3 867	6 815	442	4	11 128
Additions	1 489	2 002	367	651	4 509
Disposals	(1 431)	(4 657)	(439)	(651)	(7 178)
Transfers	-	-	4	(4)	-
Acquisition of subsidiary	5 491	-	6 605	-	12 096
Effect of translation to presentation currency	(47)	(150)	-	-	(197)
31 December 2009	9 369	4 010	6 979	-	20 358
Depreciation					
1 January 2009	1 826	2 759	168	-	4 753
Depreciation charge	1 538	1 177	105	-	2 820
Disposals	(943)	(2 728)	(84)	-	(3 755)
Acquisition of subsidiary	2 381	-	2 073	-	4 454
Effect of translation to presentation currency	(17)	(63)	-	-	(80)
31 December 2009	4 785	1 145	2 262	-	8 192
Carrying value					
31 December 2009	4 584	2 865	4 717	-	12 166
31 December 2008	2 041	4 056	274	4	6 375

8. Property and equipment (continued)

In thousands of RUR	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	RUR' 000	RUR' 000	RUR' 000	RUR' 000	RUR' 000
Cost					
1 January 2008	1 252	6 682	251	-	8 185
Additions	1 260	2 283	77	-	3 620
Disposals	(266)	(2 776)	-	-	(3 042)
Acquisition of subsidiary	1 589	521	114	4	2 228
Effect of translation to presentation currency	32	105	-	-	137
31 December 2008	3 867	6 815	442	4	11 128
Depreciation					
1 January 2008	628	1 725	79	-	2 432
Depreciation charge	605	2 238	70	-	2 913
Disposals	(225)	(1 371)	-	-	(1 596)
Acquisition of subsidiary	807	127	19	-	953
Effect of translation to presentation currency	11	40	-	-	51
31 December 2008	1 826	2 759	168	-	4 753
Carrying value					
31 December 2008	2 041	4 056	274	4	6 375
31 December 2007	624	4 957	172	-	5 753

9. Net investment in finance leases

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

Denominated in currency:	31 December 2010 RUR RUR' 000	31 December 2010 USD RUR' 000	31 December 2010 EUR RUR' 000	31 December 2010 BYR RUR' 000	31 December 2010 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)**
Total net investment in finance leases after impairment	**2 515 834**	**157 236**	**6 431**	**629**	**2 680 130**

Denominated in currency:	31 December 2009 RUR RUR' 000	31 December 2009 USD RUR' 000	31 December 2009 EUR RUR' 000	31 December 2009 BYR RUR' 000	31 December 2009 Total RUR' 000
Lease installments receivable in less than 1 year	1 803 942	152 438	2 119	42	1 958 541
Lease installments receivable in 2 to 5 years	760 629	119 386	439	-	880 454
Lease installments receivable in more than 5 years	-	-	-	-	-
Total gross investment in finance leases	2 564 571	271 824	2 558	42	2 838 995
Less unearned finance income	(395 196)	(54 289)	(351)	(3)	(449 839)
	2 169 375	217 535	2 207	39	2 389 156
Less impairment of lease installments receivable	(279 789)	-	(6)	-	(279 795)
Total net investment in finance leases after impairment	1 889 586	217 535	2 201	39	2 109 361

9. Net investment in finance leases (continued)

Denominated in currency:	31 December 2008 RUR RUR' 000	31 December 2008 USD RUR' 000	31 December 2008 EUR RUR' 000	31 December 2008 BYR RUR' 000	31 December 2008 Total RUR' 000
Lease installments receivable in less than 1 year	2 575 800	136 678	-	288	2 712 766
Lease installments receivable in 2 to 5 years	1 745 554	126 530	-	53	1 872 137
Lease installments receivable in more than 5 years	-	-	-	-	-
Total gross investment in finance leases	4 321 354	263 208	-	341	4 584 903
Less unearned finance income	(763 842)	(43 689)	-	(44)	(807 575)
	3 557 512	219 519	-	297	3 777 328
Less impairment of lease installments receivable	(74 413)	-	-	-	(74 413)
Total net investment in finance leases after impairment	3 483 099	219 519	-	297	3 702 915

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

Denominated in currency:	**31 December 2010 RUR RUR' 000**	**31 December 2010 USD RUR' 000**	**31 December 2010 EUR RUR' 000**	**31 December 2010 BYR RUR' 000**	**31 December 2010 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**

9. Net investment in finance leases (continued)

Denominated in currency:	31 December 2009 RUR RUR' 000	31 December 2009 USD RUR' 000	31 December 2009 EUR RUR' 000	31 December 2009 BYR RUR' 000	31 December 2009 Total RUR' 000
Lease installments receivable in less than 1 year	1 803 942	152 438	2 119	42	1 958 541
Less unearned finance income	(289 155)	(36 732)	(323)	(3)	(326 213)
	1 514 787	115 706	1 796	39	1 632 328
Less impairment of lease installments receivable	(197 148)	-	(6)	-	(197 154)
Current net investment in finance leases	1 317 639	115 706	1 790	39	1 435 174
Lease installments receivable in 2 to 5 years	760 629	119 386	439	-	880 454
Less unearned finance income	(106 041)	(17 557)	(28)	-	(123 626)
	654 588	101 829	411	-	756 828
Less impairment of lease installments receivable	(82 641)	-	-	-	(82 641)
Non-current net investment in finance leases	571 947	101 829	411	-	674 187
Total net investment in finance leases after impairment	1 889 586	217 535	2 201	39	2 109 361

9. Net investment in finance leases (continued)

Denominated in currency:	31 December 2008 RUR RUR' 000	31 December 2008 USD RUR' 000	31 December 2008 EUR RUR' 000	31 December 2008 BYR RUR' 000	31 December 2008 Total RUR' 000
Lease installments receivable in less than 1 year	2 575 800	136 678	-	288	2 712 766
Less unearned finance income	(521 405)	(27 950)	-	(40)	(549 395)
	2 054 395	108 728	-	248	2 163 371
Less impairment of lease installments receivable	(64 162)	-	-	-	(64 162)
Current net investment in finance leases	1 990 233	108 728	-	248	2 099 209
Lease installments receivable in 2 to 5 years	1 745 554	126 530	-	53	1 872 137
Less unearned finance income	(242 437)	(15 739)	-	(4)	(258 180)
	1 503 117	110 791	-	49	1 613 957
Less impairment of lease installments receivable	(10 251)	-	-	-	(10 251)
Non-current net investment in finance leases	1 492 866	110 791	-	49	1 603 706
Total net investment in finance leases after impairment	3 483 099	219 519	-	297	3 702 915

The effective interest rate implicit in finance leases is approximately 27,99% per annum for RUR denominated contracts; 27,16% per annum for USD denominated contracts; and 16,92% per annum for EUR denominated contracts (2009: 26,0% for RUR denominated contracts; 23,0% for USD denominated contracts; 31,4% for EUR denominated contracts. 2008: 24,9% for RUR denominated contracts; 20,6 % for USD denominated contracts; 0% 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 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Gross investment in new finance leases	**1 925 515**	679 812	2 235 541

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 81 355 thousand (31 December 2009: 279 795 thousand. 31 December 2008: 74 413 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 2010, 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:

31 December 2010	Contracted amount RUR' 000	Impairment RUR' 000	**Carrying amount RUR' 000**
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**
	2 761 485	(81 355)	**2 680 130**

31 December 2009	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Lease installments receivable not past due	1 184 549	-	1 184 549
Past due not more than 1 month	147 186	-	147 186
Past due more than 1 month but less than 3 months	456 079	-	456 079
Past due more than 3 months but less than 6 month	130 594	(17 575)	113 019
Past due more than 6 months but less than 1 year	185 391	(96 604)	88 787
Past due more than 1 year	285 357	(165 616)	119 741
	2 389 156	(279 795)	2 109 361

31 December 2008	Contracted Amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Lease installments receivable not past due	3 520 229	(29 522)	3 490 707
Past due not more than 1 month	76 957	(657)	76 300
Past due more than 1 month but less than 3 months	66 780	(1 038)	65 742
Past due more than 3 months but less than 6 month	87 459	(21 220)	66 239
Past due more than 6 months but less than 1 year	12 511	(10 220)	2 291
Past due more than 1 year	13 392	(11 756)	1 636
	3 777 328	(74 413)	3 702 915

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Balance at the beginning of the period	**279 795**	74 413	-
Charge for the period	**48 222**	212 969	23 376
Acquisition of subsidiary	**-**	-	50 525
Utilization	**(2 381)**	-	-
Reversal of the provision	**(88 599)**	(6 757)	-
Transfer to another group (Notes 13 and 15)	**(155 677)**	-	-
Effect of translation to presentation currency	**(5)**	(830)	512
Balance at the end of period	**81 355**	279 795	74 413

10. Financial instruments

10.1 Financial instruments stated at amortised cost

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Non-current			
Loans issued	**143 463**	213 358	-
Impairment of loans issued	**-**	-	-
Loans issued, net	**143 463**	213 358	-
Held-to-maturity investments	**-**	31 702	-
Held-to-maturity investments, net	**-**	31 702	-
Total non-current	**143 463**	245 060	-
Current			
Loans issued	**149 490**	83 316	3 416
Impairment of loans issued	**(9 372)**	(33 165)	-
Loans issued, net	**140 118**	50 151	3 416
Debenture bonds acquired	**-**	-	2 471
Term deposits	**4 305**	-	-
Held-to-maturity investments	**151 459**	143 695	-
Impairment of held-to-maturity investments	**(151 459)**	-	-
Held-to-maturity investments, net	**-**	143 695	-
Total current	**144 423**	193 846	5 887
Total financial instruments stated at amortised cost	**287 886**	438 906	5 887

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Balance at the beginning of the period	**33 165**	-	-
Charge for the period	**152 368**	9 214	-
Acquisition of subsidiary	**-**	23 951	-
Reversal of the provision	**(20 196)**	-	-
Utilization	**(4 506)**	-	-
Balance at the end of period	**160 831**	33 165	-

10. Financial instruments (continued)

10.1 Financial instruments stated at amortised cost (continued)

Terms and repayment schedule is as follows:

	Currency	Nominal interest rate	Effective interest rate	Year of maturity
Non-current				
Loans issued	RUR/USD/EUR	9% – 18,3%	9% – 18,3%	2012-2035
Current				
Loans issued	RUR/USD/EUR	5,5% – 24%	5,5% – 24%	2009-2011
Term deposits	USD	8%	8%	2011
Held-to-maturity investments	RUR	0%-14%	14%	2011

Non-current

Loans issued represent ones issued by OJSC Bank RESO Credit to individuals denominated in RUR with the fixed interest rates ranging from 11% to 18,3% and maturity in 2012-2034. Nominal amounts of these loans as of 31 December 2010 are RUR 45 084 thousand (31 December 2009: RUR 65 493 thousand), carrying amounts – RUR 45 084 thousand (31 December 2009: RUR 65 493 thousand).

Loans issued represent ones issued by OJSC Bank RESO Credit to individuals denominated in USD with the fixed interest rates ranging from 11,2% to 17,2% and maturity in 2012-2035. Nominal amounts of these loans as of 31 December 2010 are RUR 96 120 thousand (31 December 2009: RUR 147 865 thousand), carrying amounts - RUR 96 120 thousand (31 December 2009: RUR 147 865 thousand).

Loans issued represent ones issued by OJSC Bank RESO Credit to individuals denominated in EUR with the fixed interest rate 9% and maturity in 2012-2015. Nominal amounts of these loans as of 31 December 2010 are RUR 2 259 thousand (31 December 2009: nil), carrying amounts - RUR 2 259 thousand (31 December 2009: nil).

Current

Loan was issued to OOO Gradostroy in the amount of RUR 2 090 thousand (2009: 1 790 thousand) with the fixed interest rate of 20% per annum and contractual maturity in February 2009. As of 31 December 2010 the loan is included in full in the provision for impairment of financial instruments.

Loans issued represent short term loans and current portion of the non-current loans issued by OJSC Bank RESO Credit to individuals denominated in RUR with the fixed rates ranging from 5,5% to 24%. Nominal amounts of these loans as of 31 December 2010 are RUR 62 808 thousand (31 December 2009: RUR 50 182 thousand), carrying amounts - RUR 55 526 thousand (31 December 2009: RUR 31 826 thousand).

Loans issued represent short term loans and current portion of the non-current loans issued by OJSC Bank RESO Credit to individuals denominated in USD with the fixed rates ranging from 11,2% to 21,5%. Nominal amounts of these loans as of 31 December 2010 are RUR 84 027 thousand (31 December 2009: RUR 27 448 thousand), carrying amounts - RUR 84 027 thousand (31 December 2009: RUR 18 325 thousand).

Loans issued represent current portion of the non-current loans issued by OJSC Bank RESO Credit to individuals denominated in EUR. Nominal amounts of these loans as of 31 December 2010 are RUR 565 thousand (31 December 2009: nil), carrying amounts - RUR 565 thousand (31 December 2009: nil).

10. Financial instruments (continued)

10.1 Financial instruments stated at amortised cost (continued)

Term deposit was placed with ZAO Minskiy Tranzitniy Bank in nominal amount of USD 140 thousand (RUR 4 305 thousand) with the fixed interest rate of 8% per annum in November 2010 as a security for the loan attracted from ZAO Minskiy Tranzitniy Bank for the period of supply of equipment purchased for leasing purposes. Deposit will be returned in June 2011.

Held-to-maturity investments comprise promissory notes issued by OOO Tomneftegazstroy. Nominal value of these notes is RUR 147 345 thousand, including non-interest bearing promissory notes with the nominal value of RUR 49 115 thousand and maturity in December 2010 – April 2011 and promissory notes with the fixed interest rate of 14% per annum with the nominal value of RUR 98 230 thousand and maturity in May 2011 – November 2011. Amortised cost of these notes as of 31 December 2010 is RUR 151 459 thousand (31 December 2009: RUR 134 224 thousand – current promissory notes and RUR 31 702 thousand – non-current promissory notes), discounted at effective interest rate of 14%. As of 31 December 2010 these notes are totally included in the provision for impairment of financial instruments in amount of RUR 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 2010 OOO Tomneftegazstroy is entered in the several lease agreements with the Group with value of the net investment in lease RUR 63 333 thousand. As of 31 December 2010, total credit risk exposure of OOO Tomneftegazstroy to the Group equals to RUR 210 826 thousand (31 December 2009: RUR 269 016 thousand).

10.2 Financial instruments at fair value through profit and loss

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Non-current			
Eurobonds	**275 752**	-	-
Bonds denominated in RUR	**110 300**	-	-
Total non-current	**386 052**	-	-
Current			
Promissory notes	**169 366**	214 780	-
Eurobonds	**134 095**	168 727	-
Derivative financial instruments	**39**	-	-
Total current	**303 500**	383 507	-
Total financial instruments at fair value through profit and loss	**689 552**	383 507	-

Non-current

Eurobonds comprise bonds issued by Allians Bank, Kazkommertsbank, PSB Finance and Russian Standard Finance A.S.

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by Allians Bank with the fixed interest rate of 10,5% and maturity in 2017. The nominal value of these bonds is RUR 73 145 thousand, the fair value is RUR 70 418 thousand.

10. Financial instruments (continued)

10.2 Financial instruments at fair value through profit and loss (continued)

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by Kazkommertsbank with the fixed interest rate of 12,9% and maturity in 2012. The nominal value of these bonds is RUR 70 097 thousand, the fair value is RUR 73 201 thousand.

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by PSB Finance with the fixed interest rate of 12,8% and maturity in 2015. The nominal value of these bonds is RUR 51 811 thousand, the fair value is RUR 56 628 thousand.

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by Russian Standard Finance A.S. with the fixed interest rate of 9,8% and maturity in 2016. The nominal value of these bonds is RUR 73 145 thousand, the fair value is RUR 75 505 thousand.

Bonds denominated in RUR comprise bonds issued by KB Renessans Kapital and Sibmetinvest.

Interest bearing non-convertible bonds were issued by KB Renessans Kapital with the fixed interest rate of 10,5% and maturity in 2012. The nominal value of these bonds is RUR 51 956 thousand, the fair value is RUR 52 682 thousand.

Interest bearing non-convertible bonds were issued by Sibmetinvest with the fixed interest rate of 13,5% and maturity in 2019. The nominal value of these bonds is RUR 50 000 thousand, the fair value is RUR 57 618 thousand.

Current

Promissory notes comprise notes issued by OJSC M2M Private Bank, OJSC AMB Bank, AKB Investtorgbank and AKB NRBank.

Promissory notes denominated in RUR were issued by OJSC M2M Private Bank with the fixed interest rate of 8,35% and maturity in 2011. The nominal value of these notes is RUR 46 450 thousand, the fair value is RUR 45 138 thousand.

Promissory notes denominated in RUR were issued by OJSC AMB Bank with the fixed interest rate of 11,4% and maturity in 2011. The nominal value of these notes is RUR 45 000 thousand, the fair value is RUR 44 642 thousand.

Promissory notes denominated in RUR were issued by AKB Investtorgbank with the fixed interest rate of 6,8% and maturity in 2011. The nominal value of these notes is RUR 20 000 thousand, the fair value is RUR 19 914 thousand.

Promissory notes denominated in RUR were issued by AKB NRBank with the fixed interest rate of 6,7% and maturity in 2011. The nominal value of these notes is RUR 60 000 thousand, the fair value is RUR 59 672 thousand.

Eurobonds comprise bonds issued by ATF Bank and Center Credit International B.V.

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by ATF Bank with the fixed interest rate of 10% and maturity on demand. The nominal value of these bonds is RUR 70 402 thousand, the fair value is RUR 64 633 thousand.

Eurobonds denominated in USD represent interest bearing non-convertible bonds issued by Center Credit International B.V. with the fixed interest rate of 9,1% and maturity on demand. The nominal value of these bonds is RUR 73 145 thousand, the fair value is RUR 69 462 thousand.

11. Tax assets

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Non-current			
VAT to be reclaimed	**87 922**	57 226	86 144
	87 922	57 226	86 144
Current			
VAT to be reclaimed	**170 774**	84 276	319 435
Income tax receivable	**30 283**	42 125	1 266
Other tax prepayments	**1 622**	982	7 959
	202 679	127 383	328 660
Total tax assets	**290 601**	184 609	414 804

12. Deferred tax assets and liabilities

In thousands of RUR	Assets 31.12.10	Assets 31.12.09	Liabilities 31.12.10	Liabilities 31.12.09	Net **31.12.10**	Net 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)

In thousands of RUR	Assets 31.12.09	Assets 31.12.08	Liabilities 31.12.09	Liabilities 31.12.08	Net 31.12.09	Net 31.12.08
Property and equipment	-	-	(754)	(187)	(754)	(187)
Intangible assets	3	16	(50 942)	(600)	(50 939)	(584)
Financial instruments	5 280	42	(6 301)	-	(1 021)	42
Net investment in finance leases	11 187	-	(5 115)	(33 295)	6 072	(33 295)
Trade and other receivables	24 144	1 754	-	-	24 144	1 754
Equipment held for sale	8 236	-	-	-	8 236	-
Other current assets	1 255	3 790	(658)	-	597	3 790
Financial liabilities	-	546	-	-	-	546
Trade and other payables	3 404	5 146	-	-	3 404	5 146
	53 509	11 294	(63 770)	(34 082)	(10 261)	(22 788)

The applicable deferred tax rate for the Company and its subsidiaries domiciled in the Russian Federation is 20% (2009: 20%. 2008: 20%). The applicable deferred tax rate for subsidiaries domiciled in Belarus Republic is 24% (2009: 24%. 2008: 24%).

12. Deferred tax assets and liabilities (continued)

Movements in temporary differences during 2010 are as follows:

In thousands of RUR	Balance 1 January 2010	Recognised in comprehensive income	Acquisition of subsidiary	Effect of translation	Balance 31 December 2010
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**
	(10 261)	44 720	-	(31)	**34 428**

Movements in temporary differences during 2009 are as follows:

In thousands of RUR	Balance 1 January 2009	Recognised in comprehensive income	Acquisition of subsidiary	Effect of translation	Balance 31 December 2009
Property and equipment	(187)	(240)	(327)	-	**(754)**
Intangible assets	(584)	158	(50 510)	(3)	**(50 939)**
Financial instruments	42	(2 884)	1 821	-	**(1 021)**
Net investment in finance leases	(33 295)	39 420	-	(53)	**6 072**
Trade and other receivables	1 754	22 431	-	(41)	**24 144**
Equipment held for sale	-	7 464	772	-	**8 236**
Other current assets	3 790	(3 227)	34	-	**597**
Financial liabilities	546	(506)	-	(40)	**-**
Trade and other payables	5 146	(1 942)	229	(29)	**3 404**
	(22 788)	60 674	(47 981)	(166)	**(10 261)**

Movements in temporary differences during the 2008 year is as follows:

In thousands of RUR	Balance 1 January 2008	Recognised in comprehensive income	Effect of change in tax rate	Acquisition of subsidiary	Effect of translation	Balance 31 December 2008
Property and equipment	(139)	(85)	37	-	-	**(187)**
Intangible assets	20	(6)	-	(600)	2	**(584)**
Financial instruments	-	50	(8)	-	-	**42**
Net investment in finance leases	(10 679)	(20 354)	5 211	(7 498)	25	**(33 295)**
Trade and other receivables	-	1 261	(184)	656	21	**1 754**
Other current assets	-	2 465	(411)	1 736	-	**3 790**
Financial liabilities	169	(4)	-	352	29	**546**
Trade and other payables	3 875	(144)	(602)	1 998	19	**5 146**
	(6 754)	(16 817)	4 043	(3 356)	96	**(22 788)**

13. Trade and other receivables

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
VAT receivable from lessees	**36 721**	56 938	43 946
Impairment of VAT receivable from lessees	**(4 278)**	(25 119)	(5 754)
VAT receivable, net	**32 443**	31 819	38 192
Fines and penalties receivable	**23 060**	18 574	6 142
Impairment of fines and penalties receivable	**(16 909)**	(14 643)	(1 104)
Fines and penalties receivable, net	**6 151**	3 931	5 038
Other receivables	**398 813**	112 089	123 475
Impairment of other receivables	**(228 941)**	(80 206)	(8 813)
Other receivables, net	**169 872**	31 883	114 662
Total trade and other receivables, net	**208 466**	67 633	157 892

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 250 128 thousand (31 December 2009: RUR 119 968 thousand. 31 December 2008: RUR 15 671 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 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**
Total	**458 594**	**(250 128)**	**208 466**

13. Trade and other receivables (continued)

31 December 2009	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Receivables not past due	4 484	-	4 484
Not more than 1 month	4 338	-	4 338
More than 1 month but not more than 3 months	5 023	(100)	4 923
More than 3 months but not more than 6 months	14 279	(6 537)	7 742
More than 6 months but not more than 1 year	34 772	(24 449)	10 323
More than 1 year	124 705	(88 882)	35 823
Total	187 601	(119 968)	67 633

31 December 2008	Contracted amount RUR' 000	Impairment RUR' 000	Carrying amount RUR' 000
Receivables not past due	21 982	-	21 982
Not more than 1 month	47 299	(195)	47 104
More than 1 month but not more than 3 months	19 072	(821)	18 251
More than 3 months but not more than 6 months	67 824	(2 970)	64 854
More than 6 months but not more than 1 year	11 362	(8 752)	2 610
More than 1 year	6 024	(2 933)	3 091
Total	173 563	(15 671)	157 892

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Balance at the beginning of the period	**119 968**	15 671	-
Charge for the period	**75 743**	106 315	12 389
Acquisition of subsidiary			3 282
Transfer from another group (Note 9)	**68 303**	-	-
Utilization	**(1 577)**	-	-
Reversal of the provision	**(12 156)**	(1 868)	-
Effect from translation	**(153)**	(150)	-
Balance at the end of period	**250 128**	119 968	15 671

14. Equipment held for sale

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Equipment held for sale	**194 993**	525 629	107 782
Impairment of equipment held for sale	**(29 704)**	(21 288)	-
Equipment held for sale, net	**165 289**	504 341	107 782
Total equipment held for sale	**165 289**	504 341	107 782

At 31 December 2010 equipment held for sale in the amount of RUR 54 710 thousand (31 December 2009: RUR 184 399 thousand. 31 December 2008: RUR 107 782 thousand) represents equipment repossessed from lessees upon termination of lease contracts due to significant delays in lease payments. 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.

At 31 December 2010 the Group held motor vehicles with the value of RUR 110 579 thousand acquired from its related party K-Finance with the term to resell them within a year period (31 December 2009: RUR 313 498 thousand. 31 December 2008: nil). The remaining part of equipment held for sale in the nominal amount of RUR 5 923 thousand (31 December 2009: RUR 6 444 thousand) represents repossessed collateral obtained by the Group from its non-performing debtors in settlement of overdue loans. Due to restrictions on sale imposed by the court and continuous legal proceedings, these assets were included in full in the provision for impairment of equipment held for sale.

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Balance at the beginning of the period	**21 288**	-	-
Charge for the period	**22 758**	17 429	-
Acquisition of subsidiary	**-**	3 859	-
Utilization	**(1 880)**	-	-
Reversal of the provision	**(12 462)**	-	-
Balance at the end of period	**29 704**	21 288	-

15. Other current assets

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Prepayments for acquisition of equipment for leasing purposes	**279 014**	138 152	120 100
Impairment of prepayments for acquisition of equipment	**(20 909)**	(17 419)	(17 999)
Prepayments for acquisition of equipment for leasing purposes, net	**258 105**	120 733	102 101
Other prepayments	**30 841**	19 126	24 890
Impairment of other prepayments	**(744)**	-	-
Other prepayments, net	**30 097**	19 126	24 890
Equipment not returned	**243 636**	66 640	8 512
Impairment of equipment not returned	**(170 285)**	(48 144)	-
Equipment not returned, net	**73 351**	18 496	8 512
Required reserves at CBR	**22 353**	10 958	-
Consumables	**486**	675	341
Total other current assets	**384 392**	169 988	135 844

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Balance at the beginning of the period	**65 563**	17 999	-
Charge for the period	**41 081**	52 777	9 321
Acquisition of subsidiary	**-**	-	8 678
Reversal of the provision	**(2 073)**	(5 147)	-
Transfer from another group (Note 9)	**87 374**	-	-
Utilization	**-**	(49)	-
Effect of translation to presentation currency	**(7)**	(17)	-
Balance at the end of period	**191 938**	65 563	17 999

16. Cash and cash equivalents

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Cash at bank – current accounts	**194 346**	104 388	57 223
Cash at bank – deposit accounts	**470 499**	103 024	73 916
Cash in hand	**10 710**	33 714	4
Total cash and cash equivalents	**675 555**	241 126	131 143

16. Cash and cash equivalents (continued)

The short term deposits placed with the Central Bank of the Russian Federation in December 2010 in the total nominal amount of RUR 320 000 thousand are bearing an interest rate of 2,5-3% per annum and maturity in January 2011.

The short term deposit placed with AKB Rosbank in July 2009 in nominal amount of USD 25 thousand (RUR 762 thousand) is non-interest bearing and maturity on demand.

The short term deposit placed with OJSC Alfa Bank in November 2010 in nominal amount of EUR 70,5 thousand (RUR 2 843 thousand) is non-interest bearing and maturity on demand.

The short term deposits placed with OJSC MKB in December 2010 in the total nominal amount of RUR 120 000 thousand are bearing an interest rate of 3,25-7,5% per annum and maturity in January 2011.

The short term deposits placed with OJSC SberBank in December 2010 in the total nominal amount of RUR 26 700 thousand are bearing an interest rate of 2,2-2,4% per annum and maturity in January 2011.

17. Financial liabilities

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Non-current			
Secured bank loans	**1 053 064**	118 911	435 738
Promissory notes issued	**-**	175 001	240 441
Unsecured loans from related parties	**582 000**	761 505	-
Unsecured loans received from third parties	**-**	31 425	41 359
Customer deposits	**140 063**	221 300	-
Finance lease liabilities	**726**	449	393
	1 775 853	1 308 591	717 931
Current			
Secured bank loans	**775 381**	330 469	812 010
Unsecured bank loans	**-**	-	129 265
Promissory notes issued	**190 987**	333 758	394 871
Unsecured loans received from related parties	**-**	195 107	378 470
Derivative financial instruments	**1 086**	-	-
Customer deposits	**958 815**	177 031	-
Finance lease liabilities	**696**	381	697
	1 926 965	1 036 746	1 715 313
Total financial liabilities	**3 702 818**	2 345 337	2 433 244

Terms and repayment schedule is as follows:

	Currency	**Nominal interest rates**	**Effective interest rates**	**Year of maturity**
Non-current				
Secured bank loans	RUR/USD/EUR	8,25% - 14,75%	8,36% - 18,24%	2012-2015
Unsecured loans received from related parties	RUR	8,0%	8,0%	2014
Customer deposits	USD/RUR	6,5% - 13,5%	6,5% - 13,5%	2012-2013
Finance lease liabilities	RUR/BYR	32,41% - 41,4%	32,41% - 41,4%	2012-2013

17. Financial liabilities (continued)

	Currency	Nominal interest rates	Effective interest rates	Year of maturity
Current				
Secured bank loans	RUR/USD/EUR	8,25% - 14,75%	8,36% - 19,83%	2011
Promissory notes issued	RUR	5,99% - 11,2%	5,99% - 11,2%	2011
Current customer accounts and deposits	RUR/USD/EUR	2,5% - 13%	2,5% - 13%	2011
Finance lease liabilities	RUR/BYR	29,19% - 80,71%	29,19% - 80,71%	2011

Secured bank loans as of 31 December 2010	Cur-rency	Interest rate %	Payment basis	Year of maturity	Nominal amount RUR'000	Carrying amount RUR'000
Non-current						
OJSC Sberbank	RUR	14,75	Monthly	2012	16 578	16 272
OJSC Rossiyskiy Bank Razvitiya	RUR	8,25	Monthly	2012-2015	655 714	656 376
OJSC MKB	RUR	10,50-14,00	Monthly	2012-2013	364 240	363 039
CJSC Minskiy Transit Bank	USD	11,00	Monthly	2012-2013	12 711	12 711
CJSC Minskiy Transit Bank	EUR	11,00	Monthly	2012-2013	4 666	4 666
					1 053 909	**1 053 064**
Current						
CJSC Surgutneftegazbank	RUR	11,70-12,50	Monthly	2011	47 491	47 491
OJSC Sberbank	RUR	13,50-14,75	Monthly	2011	56 075	55 064
OJSC Rossiyskiy Bank Razvitiya	RUR	8,25	Monthly	2011	446 491	438 375
OJSC MKB	RUR	10,50-14,00	Monthly	2011	226 007	214 239
CJSC Minskiy Transit Bank	USD	11,00	Monthly	2011	17 673	17 673
CJSC Minskiy Transit Bank	EUR	11,00	Monthly	2011	2 539	2 539
					796 276	**775 381**
Total secured bank loans					**1 850 185**	**1 828 445**

Non-current

Unsecured loans received from related parties denominated in RUR are represented by loan from Holding Company Reso with the fixed interest rate 8% per annum and maturity in 2014. Nominal and carrying amount of this loan as of 31 December 2010 is RUR 582 000 thousand.

Customer deposits comprise deposits denominated in RUR, USD and EUR and received by Bank RESO Credit from legal entities and individuals bearing the fixed interest rates ranging from 6,5% to 13,5% and maturity in 2012-2013. Nominal outstanding amounts of these deposits as of 31 December 2010 are RUR 140 063 thousand, carrying amounts are RUR 140 063 thousand.

Current

Promissory notes issued comprise promissory notes with the fixed interest rates ranging from 5,99% to 11,2% and maturity in 2011. Nominal outstanding amounts of these notes as of 31 December 2010 are RUR 161 300 thousand, carrying amounts are RUR 190 987 thousand.

Customer deposits comprise deposits denominated in RUR, USD and EUR and received by Bank RESO Credit from legal entities and individuals bearing the fixed interest rates ranging from 2,5% to 13%. Nominal outstanding amounts of these deposits as of 31 December 2010 are RUR 958 815 thousand, carrying amounts are RUR 958 815 thousand.

Non-current and current secured bank loans are secured by leased-out equipment in the value of RUR 1 965 257 thousand (2009: RUR 1 714 894 thousand) and by the rights of the Company to receive lease payments from lessees for the amount of RUR 131 560 thousand (2009: RUR 394 912 thousand).

17. Financial liabilities (continued)

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Fixed rate			
Expiring within one year – 8.25%	**197 255**	-	-
Expiring within one year – 10.5%	**105 000**	-	-
Expiring within one year – 12.5%	-	-	2 162
Expiring within one year – 13.5%	-	493 584	-
Expiring within one year – 16.75%	-	211 269	-
	302 255	704 853	2 162
Rate not determined			
Expiring within one year	-	586 498	216 075
Expiring within more than one year	-	250 000	910 914
	-	836 498	1 126 989
Total undrawn borrowing facilities	**302 255**	1 541 351	1 129 151

Finance lease liabilities are as follows:

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Minimum lease payments			
Less than one year	**1 020**	584	837
Between one and five years	**834**	581	418
Total minimum lease payments	**1 854**	1 165	1 255
Future finance charge	**(432)**	(335)	(165)
Present value of finance lease liabilities	**1 422**	830	1 090
Less than one year	**696**	381	697
Between one and five years	**726**	449	393
	1 422	830	1 090

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

18. Trade and other payables

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Current accounts from customers	**101 066**	135 188	-
Trade payables	**11 149**	21 899	12 411
Management fee payable	-	-	5 075
Accrued expenses	**23 087**	-	-
Other payables	**52 108**	29 765	20 864
Total trade and other payables	**187 410**	186 852	38 350

19. Tax liabilities

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
VAT payable	**21 926**	13 856	-
Income tax payable	**-**	384	528
Other taxes payable	**15 230**	7 620	18 805
Total tax liabilities	**37 156**	21 860	19 333

20. Provisions

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
Provisions at the beginning of the period	**-**	-	-
Charge for the period	**11 134**	-	-
Provisions at the end of the period	**11 134**	-	-

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

21. Other liabilities

	31 December 2010 RUR' 000	31 December 2009 RUR' 000	31 December 2008 RUR' 000
VAT from advances received from lessees for commenced and non commenced leases	**173 849**	131 064	180 178
Advances received from lessees for finance leases not commenced at year end or ahead of the schedule	**159 317**	73 083	89 484
Deferred income	**5**	8	-
Total other liabilities	**333 171**	204 155	269 662

22. Net assets attributable to participants

	Charter fund RUR' 000	Retained earnings RUR' 000	Translation reserve RUR' 000	Total RUR' 000	Minority interest RUR' 000	**Total RUR' 000**
Balance as of 31 December 2007	**280 000**	**155 579**	**-**	**435 579**	**83**	**435 662**
Contribution from participants	2 000 000	-	-	2 000 000	-	2 000 000
Profit for the year	-	109 589	-	109 589	15	109 604
Effect of translation to presentation currency	-	-	4 055	4 055	-	4 055
Acquisition of subsidiary	-	-	-	-	7 078	7 078
Balance as of 31 December 2008	**2 280 000**	**265 168**	**4 055**	**2 549 223**	**7 176**	**2 556 399**
Non-dividend distribution to participants	-	(41 868)	-	(41 868)	-	(41 868)
Loss for the year	-	(205 132)	-	(205 132)	(897)	(206 029)
Effect of translation to presentation currency	-	-	(8 444)	(8 444)	-	(8 444)
Balance as of 31 December 2009	**2 280 000**	**18 168**	**(4 389)**	**2 293 779**	**6 279**	**2 300 058**
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)
Balance as of 31 December 2010	**2 280 000**	**(125 559)**	**(6 011)**	**2 148 430**	**5 222**	**2 153 652**

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 2010 the Company made non-dividend distributions to participants in the amount of RUR 58 691 thousand (2009: RUR 41 868 thousand).

23. Finance income

	2010 RUR' 000	2009 RUR' 000
Income on finance lease	**579 266**	601 409
Interest income	**160 364**	79 911
Income from securities trading	-	20 382
Total finance income	**739 630**	701 702

24. Finance cost

	2010 RUR' 000	2009 RUR' 000
Interest expense	**280 834**	318 013
Losses from securities trading	**2 535**	-
Total finance cost	**283 369**	318 013

25. Impairment losses

Movements in the impairment losses are as follows:

	2010 RUR' 000	2009 RUR' 000
Net investment in finance leases		
Charge for the period	**48 222**	212 969
Reversal of the provision	**(88 599)**	(6 757)
Financial instruments		
Charge for the period	**152 368**	9 214
Reversal of the provision	**(20 196)**	-
Impairment losses recognized on acquisition of securities	-	32 687
Trade and other receivables		
Charge for the period	**75 743**	106 315
Reversal of the provision	**(12 156)**	(1 868)
Equipment held for sale		
Charge for the period	**22 758**	17 429
Reversal of the provision	**(12 462)**	-
Other assets		
Charge for the period	**41 081**	52 777
Reversal of the provision	**(2 073)**	(5 147)
Total impairment losses	**204 686**	417 619

26. Other operating income

	2010 RUR' 000	2009 RUR' 000
Fines and penalties	36 545	23 316
Other operating income	7 760	4 177
Total other operating income	44 305	27 493

27. Operating expenses

	2010 RUR' 000	2009 RUR' 000
Wages, salaries and other related social costs	196 157	115 705
Rent expenses	19 257	12 272
Audit, information and consulting services	15 138	17 536
Depreciation and amortization	15 003	7 865
Marketing and advertising expenses	13 256	4 104
Repair, maintenance and fuel expenses	8 456	16 327
Office expenses	7 506	2 042
Software expenses	6 859	9 011
Telecommunication expenses	6 135	3 960
Taxes	6 073	3 690
Insurance expenses	3 913	2 356
Other expenses	14 632	10 540
Total operating expenses	312 385	205 408

28. Income tax expense

	2010 RUR' 000	2009 RUR' 000
Current		
Current income tax expense	28 510	21 438
Deferred		
Reversal of timing differences	(44 720)	(60 674)
Total income tax benefit in the statement of comprehensive income	(16 210)	(39 236)

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

	31 December 2010 RUR' 000	31 December 2009 RUR' 000
Loss before tax	(101 562)	(245 265)
Income tax at the applicable corporate tax rate	(20 312)	(49 053)
Net non-deductible costs and non-taxable income	4 102	9 817
Total income tax benefit in the statement of comprehensive income	(16 210)	(39 236)

29. Derivatives

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

In thousands of RUR	Amount per contract	Fair value		Average weighted interest rate
		Assets	Liabilities	
Foreign exchange derivative contracts				
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).

30. 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 "Financial liabilities"), cash and cash equivalents and net assets attributable to participants. Capital structure is reviewed by the Board of Directors on regular basis.

On 31 December 2010 debt-to-capital ratios were as follows:

	31 December 2010 RUR' 000	31 December 2009 RUR' 000
Financial liabilities	**3 702 818**	2 345 337
Less: Unsecured loans from related parties	**(582 000)**	(956 612)
Less: Cash and cash equivalents	**(675 555)**	(241 126)
Net debt	**2 445 263**	1 147 599
Unsecured loans from related parties	**582 000**	956 612
Net assets attributable to participants	**2 153 652**	2 300 058
Net debt	**2 445 263**	1 147 599
Total net capital	**5 180 915**	4 404 269
Debt-to-capital ratio	**47%**	26%

The increase in debt-to-capital ratio resulted primarily from the additional financing provided by commercial banks.

30. Risk management (continued)

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 2010 RUR' 000	31 December 2009 RUR' 000
Financial assets		
Net investments in finance leases	**2 680 130**	2 109 361
Financial instruments	**977 438**	822 413
Trade and other receivables	**208 466**	67 633
Cash and cash equivalents	**675 555**	241 126
Financial liabilities		
Secured bank loans	**1 828 445**	449 380
Promissory notes issued	**190 987**	508 759
Unsecured loans from related parties	**582 000**	956 612
Unsecured loans received from third parties	**-**	31 425
Derivative financial instruments	**1 086**	-
Customer deposits	**1 098 878**	398 331
Finance lease liabilities	**1 422**	830
Trade and other payables	**187 410**	186 852

30.1 Credit risk analysis

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all lessees. 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.

30.2 Liquidity risk

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

30. Risk management (continued)

30.2 Liquidity risk (continued)

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 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
Financial liabilities						
Non-derivative liabilities						
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 deposits	1 098 878	387 544	616 980	147 279	6 703	**1 158 506**
Finance lease liabilities	1 422	547	473	743	91	**1 854**
Trade and other payables	187 410	187 410	-	-	-	**187 410**
Total non-derivative liabilities	**3 889 142**	**1 153 695**	**1 158 177**	**888 940**	**1 146 953**	**4 347 765**
Derivative liabilities						
Outflow	1 086	371 103	-	-	-	**370 103**
Inflow	(39)	(370 056)	-	-	-	**(370 056)**
Total derivative liabilities	1 047	1 047	-	-	-	**1 047**
Total financial liabilities	**3 890 189**	**1 154 742**	**1 158 177**	**888 940**	**1 146 953**	**4 348 812**

30. Risk management (continued)

30.2 Liquidity risk (continued)

31 December 2009	Carrying amount RUR' 000	6 months or less RUR' 000	6 -12 months RUR' 000	1 – 2 years RUR' 000	2 – 5 years RUR' 000	Contractual cash flows RUR' 000
Financial liabilities						
Secured bank loans	449 380	229 706	136 849	111 553	16 442	494 550
Promissory notes issued	508 759	238 154	119 342	154 351	-	511 847
Unsecured loans from related parties	956 612	111 303	164 961	173 003	1 034 482	1 483 749
Unsecured loans from third parties	31 425	-	-	37 581	-	37 581
Customer deposits	398 331	189 553	19 043	260 151	-	468 747
Finance lease liabilities	830	340	244	370	211	1 165
Trade and other payables	186 852	186 852	-	-	-	186 852
Total financial liabilities	2 532 189	955 908	440 439	737 009	1 051 135	3 184 491

30.3 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 2010		31 December 2009	
	USD RUR' 000	**EUR RUR' 000**	USD RUR' 000	EUR RUR' 000
Financial assets				
Net investment in finance leases	**157 236**	**6 431**	217 535	2 201
Loans issued	**184 452**	**2 824**	166 190	-
Financial instruments designated at fair value through profit and loss	**409 847**	**-**	168 727	-
Trade and other receivables	**81 402**	**160**	-	-
Cash and cash equivalents	**24 749**	**8 183**	66 557	6 064
Total financial assets	**857 686**	**17 598**	619 009	8 265
Financial liabilities				
Secured bank loans	**(30 384)**	**(7 205)**	(40 856)	-
Unsecured loans received from third parties	**-**	**-**	(31 425)	-
Customer deposits	**(289 536)**	**(51 329)**	(384 992)	-
Trade and other payables	**(910)**	**(2 256)**		(3 886)
Total financial liabilities	**(320 830)**	**(60 790)**	(457 273)	(3 886)
Derivative financial instruments	**(370 056)**	**35 896**	-	-
Net position	**166 800**	**(7 296)**	161 736	4 379

30. Risk management (continued)

30.3 Foreign exchange rate risk (continued)

The following table details the Group's sensitivity analysis to a 10% change in the functional currency against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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% (2009: 10%) then this would had the following impact:

	31 December 2010		31 December 2009	
Foreign currency	**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	**(16 680)**	**(16 680)**	(16 174)	(16 174)
EUR	**730**	**730**	(438)	(438)

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.

30.4 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 "Financial liabilities" 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.

30.5 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 2010 and 31 December 2009 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.

30. Risk management (continued)

30.5 Fair value of financial instruments (continued)

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 are 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 2010:

	Level 1 RUR'000	Level 2 RUR'000	Level 3 RUR'000	Total RUR'000
Financial assets and liabilities				
Total financial instruments at fair value through profit and loss	**520 147**	**168 319**	**-**	**688 466**

The following table shows an analysis of financial instruments at fair value by level of the fair value hierarchy as of 31 December 2009:

	Level 1 RUR'000	Level 2 RUR'000	Level 3 RUR'000	Total RUR'000
Financial assets and liabilities				
Total financial instruments at fair value through profit and loss	168 727	214 780	-	383 507

31. Contingencies

31.1 Litigation

As of 31 December 2010 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 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.

31.2 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.

32. Related party transactions

32.1 Transactions with key management personnel

Transactions with key management are as follows:

	2010 RUR' 000	2009 RUR' 000
Compensation to key management	**21 021**	12 179
Interest income	**18**	397
Interest expense	**3 787**	962
Other income	**-**	42

Period-end balances:

	31 December 2010 RUR' 000	31 December 2009 RUR' 000
Loans issued	**-**	1 778
Customer deposits	**5 507**	42 470
Trade and other payables	**-**	530

32.2 Transactions with participants

Transactions carried out during the period:

	2010 RUR' 000	2009 RUR' 000
Non-dividend distribution to participants	**58 691**	41 868
Interest income	**378**	-

Period-end balances:

	31 December 2010 RUR' 000	31 December 2009 RUR' 000
Loans issued	**1 458**	61
Other receivables	**4**	-
Customer deposits	**42 644**	-

32. Related party transactions (continued)

32.3 Transactions with other related parties

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

	2010 RUR' 000	2009 RUR' 000
Interest expense		
Holding Company Reso	**75 128**	142 593
Reso Med SMK	**19 649**	1 738
Panworld Ltd	**11 390**	7 055
SPK Unity Re	**2 118**	1 851
Reso Garantia	**2 949**	17 222
K-Finance	**12 027**	6 816
OSJ Reso Garantia	**271**	-
SK Nacionalnye Strahovye Tradicii	**563**	-
Others	**-**	289
Interest income		
Holding Company Reso	**-**	141
Others	**-**	372
Income on finance leases		
Medilux-TM	**250**	484
Mustang	**255**	440
Reso Avto	**187**	70
Reso Garantia	**9**	25
Reso Gostinichnye Investicii	**37**	74
Reso Med SMK	**308**	266
SberFond Reso	**89**	147
Holding Company Reso	**1 413**	-
K-Finance	**426**	-
Assets and services acquired		
Payments for insurance on behalf of lessees to Reso Garantia	**19 331**	27 561
Other payments for insurance to Reso Garantia	**3 078**	1 819
Operational lease of premises (net of VAT) from Reso Garantia	**12 338**	1 332

32. Related party transactions (continued)

32.3 Transactions with other related parties (continued)

Period-end balances:

	31 December 2010 RUR' 000	31 December 2009 RUR' 000
Financial liabilities / Trade and other payables		
Loans payable – Holding Company Reso	**581 999**	956 612
Current accounts and deposits from customers Panworld Ltd	**147 193**	150 576
Current accounts and deposits from customers Reso Med SMK	**778 565**	127 134
Current accounts and deposits from customers - SPK Unity Re	**226**	97 829
Current accounts and deposits from customers – Reso Garantia	**89 983**	14 892
Current accounts and deposits from customers – SK Nacionalnye Strahovye Tradicii	**27 795**	31 960
Current accounts and deposits from customers – OSJ Reso Garantia	**15 271**	-
Current accounts and deposits from customers – Holding Company Reso	**21**	224
Current accounts and deposits from customers – SberFond Reso	**117**	265
Promissory notes issued - Reso Garantia	**43 887**	-
Off-balances obligations (guarantees issued - Reso Garantia)	**4 089**	41 900
Other receivables		
Reso Med SMK	**2**	-
Net investment in finance leases		
Reso Avto	**604**	804
Reso Garantia	**-**	66
Reso Med SMK	**1 310**	1 096
Reso Gostinichnye Investicii	**68**	239
Medilux-TM	**618**	1 087
SberFond Reso	**225**	495
Mustang	**747**	2 596
K-Finance	**1 520**	1 391

33. Commitments

33.1 Lease commitments

At 31 December 2010 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 338 118 thousand (31 December 2009: RUR 52 277 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 135 819 thousand (31 December 2009: RUR 62 726 thousand) for these contracted lease agreements.

33. Commitments (continued)

33.2 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 2010 RUR'000	31 December 2009 RUR'000
Within 1 year	**37 487**	2 311
Between 1 and 2 year	**26 497**	-
Between 2 and 3 year	**26 865**	-
After 3 years	**-**	-
Total operating lease commitments	**90 849**	2 311

In 2010 RUR 19 257 thousand was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases (2009: RUR 12 272 thousand).

34. Principal subsidiaries

Entity	**Principal activities**	**Country of incorporation**	**Ownership**	
			31.12.10	31.12.09
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%