Open Joint-Stock Company
“Torgoviy Dom “Kopeyka”

Consolidated Financial Statements

Year ended December 31, 2007
with Report of Independent Auditor

OJSC “TD “Kopeyka”

Consolidated Financial Statements

Year ended December 31, 2007

Contents

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Independent Auditors' Report

To the shareholders of OAO TD Kopeyka

We have audited the accompanying consolidated financial statements of OAO TD Kopeyka and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 35 to the consolidated financial statements which indicate that the Group incurred a net loss of RUR 120 mln during the year ended 31 December 2007 and, as of that date, the Group's current liabilities exceeded its current assets by RUR 4,205 mln. These conditions, along with other matters as set forth in Note 35, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young LLC

July 31, 2008
Moscow, Russia

OJSC “TD “KOPEYKA”

Consolidated Balance Sheet

Year ended December 31, 2007

(In thousand of Russian Roubles)

	Notes	December 31, 2007	December 31, 2006
Assets			
Non-current assets			
Property and equipment, net	**14**	7,420,070	7,637,996
Intangible assets, net	**15**	2,191,661	2,837,878
Deferred income tax asset	**30**	126,397	263,942
Long term loans	**16, 31**	2,280,166	30,650
Other non-current assets	**17**	75,681	58,621
		12,093,975	**10,829,087**
Current assets			
Inventories, net	**9**	2,194,086	2,126,364
Trade receivables, net	**10, 31**	2,285,647	613,565
Short term loans	**16, 31**	678,027	4,863
Advances paid	**11, 31**	1,026,602	485,195
Taxes receivable	**12**	820,412	1,125,932
Cash and cash equivalents	**8**	766,726	658,256
Other current assets	**13,31**	1,168,136	21,286
		8,939,636	**5,035,461**
Total assets		**21,033,611**	**15,864,548**
Liabilities and equity			
Equity			
Share capital	**23**	2,725,146	2,725,146
Retained earnings		866,774	987,273
		3,591,920	**3,712,419**
Non-current liabilities			
Deferred income tax liability	**30**	267,967	197,766
Long term debt	**21**	4,021,904	5,156,236
Other non-current liabilities	**20**	7,415	4,693
		4,297,286	**5,358,695**
Current liabilities			
Trade payables	**18**	5,309,931	3,634,730
Taxes payable	**19**	237,694	100,597
Short term debt	**21**	7,271,255	2,860,245
Dividends payable	**24**	539	539
Other current liabilities	**22**	324,986	197,323
		13,144,405	**6,793,434**
Total liabilities and equity		**21,033,611**	**15,864,548**

The accompanying notes are an integral part of these financial statements.

OJSC "TD "KOPEYKA"

Consolidated Income Statement

Year ended December 31, 2007

(In thousand of Russian Roubles)

	Notes	2007	2006
Continuing Operations			
Revenues			
Retail revenues - own stores		27,848,822	20,848,747
Retail and wholesale revenues - franchised stores		6,771,416	4,410,583
Other revenues	**26**	316,291	180,159
Total revenues		**34,936,529**	**25,439,489**
Cost of goods sold	**25**	(27,376,674)	(20,330,849)
Gross profit		**7,559,855**	**5,108,640**
Selling, general and administrative expenses	**27**	(6,078,918)	(4,266,255)
Pre-opening costs	**28**	(96,186)	(227,124)
Depreciation and amortization		(742,914)	(410,397)
Other operating income/(expenses), net		38,719	(2,977)
Profit from operating activities		**680,556**	**201,887**
Foreign exchange gain/(loss), net		(27,696)	44,519
Financial income	**29**	52,927	8,544
Financial expense	**29**	(862,507)	(503,806)
Loss before income taxes		**(156,720)**	**(248,856)**
Income tax expense	**30**	(213,648)	(133,484)
Loss for the period from continuing operations		**(370,368)**	**(382,340)**
Discontinued operations			
Profit from discontinued operations	**7**	**249,869**	**7,074**
Loss for the year		**(120,499)**	**(375,266)**

The accompanying notes are an integral part of these financial statements.

OJSC “TD “KOPEYKA”

Consolidated Statement of Changes in Equity

Year ended December 31, 2007

(In thousands of Russian Roubles)

	Share Capital	Retained Earnings	Total
At January 1, 2006	**2,725,146**	**1,362,539**	**4,087,685**
Net loss 2006	–	(375,266)	(375,266)
At December 31, 2006	**2,725,146**	**987,273**	**3,712,419**
Net loss 2007	–	(120,499)	(120,499)
At December 31, 2007	**2,725,146**	**866,774**	**3,591,920**

The accompanying notes are an integral part of these financial statements.

OJSC “TD “KOPEYKA”

Consolidated Statement of Cash Flows

Year ended December 31, 2007

(In thousand of Russian Roubles)

	2007	2006
Cash flows from operating activities		
Loss before tax from continuing operations	(156,720)	(248,856)
Profit/(loss) before tax from discontinued operations	384,031	(73,916)
Adjustments for:		
Interest income	(54,461)	(8,600)
Interest expense	1,000,990	503,999
Shortage of goods	507,876	179,141
Depreciation and amortization	898,508	468,113
Loss from disposal of property and equipment	(48,440)	(2,482)
Gain on disposal group	(1,568,966)	–
Foreign exchange (gain)/loss, net	27,708	(44,518)
Operating cash flows before working capital changes	**990,526**	**772,882**
Trade receivable and advances paid	(1,650,624)	(843,532)
Inventories	(968,193)	(1,438,794)
Taxes receivable	24,542	(370,740)
Other assets	(1,149,265)	(79,852)
Trade and other accounts payable	4,625,830	2,203,409
Taxes payable, other than income tax	165,945	1,930
Cash generated from operations	**2,038,761**	**245,303**
Income taxes paid	(52,111)	(238,045)
Net cash flows generated from operating activities	**1,986,650**	**7,258**
Cash flows from investing activities		
Purchases of property and equipment	(2,236,075)	(3,412,911)
Proceeds from the sale of property and equipment	196,752	135,985
Purchases of intangible assets	(31,719)	(48,210)
Advance on acquisition of subsidiaries	(751,340)	–
Disposal of subsidiaries, net of cash disposed of	(176,917)	
Business acquisition	(20)	(639,856)
Loans granted	(1,131,867)	–
Interest received	49,470	8,600
Net cash used in investing activities	**(4,081,716)**	**(3,956,392)**
Cash flows from financing activities		
Proceeds from borrowings	1,959,117	–
Proceeds from bonds issue	3,999,240	3,943,006
(Repayment of)/proceeds from short term borrowings	(2,805,705)	874,321
Repayment of other non-current liabilities	–	(13,130)
Interest paid	(949,116)	(492,720)
Dividends paid	–	(4,500)
Net cash provided by financing activities	**2,203,536**	**4,306,977**
Net increase/(decrease) in cash and cash equivalents	**108,470**	**357,843**
Cash and cash equivalents at the beginning of the period	**658,256**	**300,413**
Cash and cash equivalents at the end of the period	**766,726**	**658,256**

The accompanying notes are an integral part of these financial statements.

1. Description of Business

OJSC “TD “KOPEYKA” (further referred to as the “Company”, or, together with its subsidiaries, the “Group”) is an open joint stock company incorporated in Russian Federation on November 9, 2005. It is a legal successor of the LLC “TD “KOPEYKA”, incorporated on May 16, 2002. The consolidated financial statements of the Company for the year ended December 31, 2007 were authorized for issue by the General Director of the Company on July 31, 2008.

The Group’s principal activity is food and consumer goods retailing. In 2007 the Group continued to run business operations in Moscow, Moscow region, the surrounding regions of the Central Part of Russia and in Volga-Region. In December 2007 the Group disposed of its operations in Samara, Vladimir, Voronezh and Yaroslavl regions.

As of December 31, 2007 the Group operated a total of 330 stores and supermarkets (2006: 295 – including shops operated by entities sold in 2007).

As of December 31, 2007 the Group employed 8,183 employees (2006: 9,515). The head office of the Company is located at Petrovsko-Razumovsky proezd, 28, Moscow, Russia.

The Group is ultimately controlled by Mr. N. A. Tsvetkov.

2. Basis of Preparation of the Financial Statements

2.1 Statement of Compliance

These consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2.2 Basis of Accounting

Group companies maintain their accounting records in Russian Roubles (“RR”) and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS. The principal adjustments relate to consolidation, accounting for business combinations, valuation of property and equipment and use of fair value.

The consolidated financial statements have been prepared under the historical cost convention except for assets and liabilities acquired in a business combination.

The consolidated financial statements are presented in RR and all values are rounded to the nearest thousand (RR000) except when otherwise indicated.

2.3 Functional Currency

Based on the economic substance of the underlying events and circumstances relevant to the Group the functional currency of the Group has been determined to be the Russian Rouble, which is the national currency of the Russian Federation.

2. Basis of Preparation of the Financial Statements (continued)

2.4 Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of OJSC “TD “KOPEYKA” and its subsidiaries drawn up to December 31, 2007 after elimination of all inter-company transactions.

		Share of control (%) as of December 31,	
Business entity	**Activity**	**2007**	**2006**
OJSC "TD "KOPEYKA"	Management Company	N/A	N/A
LLC "Kopeyka Import"	Buyer of imported inventory	100	100
LLC "Kopeyka Moscow"	Retail operator Moscow	100	100
LLC "Kopeyka Development"	Property management	100	100
OJSC "Victorya-18"	Retail operator	100	100
LLC "Kopeyka Moscow Region"	Retail operator	100	100
LLC "Kopeyka Tula"	Retail operator	100	100
LLC "Kopeyka Kaluga"	Retail operator	100	100
LLC "Kopeyka Riasan"	Retail operator	100	100
LLC "Kopeyka Yaroslavl"	Retail operator	–	100
LLC "Kopeyka Vladimir"	Retail operator	–	100
LLC "Kopeyka Tver"	Retail operator	100	100
LLC "Kopeyka-Samara"	Dormant	100	100
LLC "Kopeyka Development Samara"	Dormant	100	100
LLC "Trade Firm "Samara Product"	Retail operator	–	100
LLC "Alcor"	Retail operator	–	100
LLC "Kopeyka Voronezh"	Retail operator	–	100
LLC "Kopeyka Nizhni Novgorod"	Retail operator	–	100
LLC "Kopeyka-Finans"	Dormant	100	100
LLC "Trade Firm "Makedonia"	Retail operator	100	–
CJSC "Privately owned guard enterprise "Gudvill-Garant"	Guard enterprise	100	–

On January 20, 2007 the Group acquired a 100% interest in LLC “Trade Firm “Makedonia”, a store situated in Moscow region, Russia. On February 23, 2007 the Group acquired a 100% interest in CJSC “Privately owned guard enterprise “Gudvill-Garant”, situated in Moscow, Russia.

On December 28, 2007 the Group sold five subsidiaries: LLC “Trade Firm “Samara Product” with its subsidiary LLC “Alcor”, LLC “Kopeyka Vladimir”, LLC “Kopeyka Voronezh”, and LLC “Kopeyka Yaroslavl”.

The financial statements of all subsidiaries are prepared for the same reporting period as the financial statements of the parent company based on unified accounting policies. All intra-group balances, transactions, income, expenses, and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases.

3. Changes in Accounting Policies

3.1 Adopted New or Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new or amended standards and interpretations mandatory for financial years beginning on or after January 1, 2007:

- IFRS 7 “Financial Instruments: Disclosures”;
- IAS 1 (amended 2005) “Presentation of Financial Statements - Capital Disclosures”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”;
- IFRIC 10 “Interim Financial Reporting and Impairment”;

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 34.

IFRIC 8 Scope of IFRS 2
This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. This interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment
The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group does not issue interim financial statements, the interpretation had no impact on the financial position or performance of the Group.

3. Changes in Accounting Policies (continued)

3.2 IFRSs and IFRIC Interpretations not yet Effective

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

- IFRS 8 Operating Segments
- Revised IAS 23 Borrowing Costs
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRS 2 Share Based Payments
- IFRS 3R Business Combinations
- IAS 1R Presentation of Financial Statements
- IAS 32 Financial Instruments - Presentation
- IFRIC 12 Service Concession Arrangements

The Group assesses that the above IFRS standards issued but not yet effective will have no effect on the Group’s results and financial operations in the period of initial application.

4. Significant Accounting Judgments and Estimates

4.1 Significant Accounting Judgments

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

Classification of Lease Agreements

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

4.2 Significant Accounting Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or groups of units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units or groups of units and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 15).

4. Significant Accounting Judgments and Estimates (continued)

4.2 Significant Accounting Estimates (continued)

Current Taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group’s entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group’s entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As of December 31, 2007 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in Note 30.

Deferred Tax Assets

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

Fair Values of Assets and Liabilities Acquired in Business Combination

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values (Note 6), which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

Impairment of leasehold improvements

The Group is required to reduce the carrying amount of property and equipment to the recoverable amount in case of any indication of impairment exists. The recoverable amounts of leasehold improvements for which such indication existed at the reporting date represent the value in use as determined by discounting the future cash flows generated from the continuing use of the respective stores. The key assumptions used in determining of the recoverable amounts of the respective leasehold improvements require considerable judgement in forecasting future cash flows and estimating the discount rate.

Useful Life of Property and Equipment

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

Inventory Provision

The group provides for estimated physical losses of inventory on the basis of a historical data as a percentage of sales (Note 9). This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results.

5. Summary of Significant Accounting Policies

5.1 Principles of Consolidation

Subsidiaries

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

Acquisition of Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the fair value of the Group’s share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group’s share of identifiable net assets of the subsidiary acquired the difference is recognized directly in the income statement.

The financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company based on unified accounting policies.

Acquisition of productive assets (single asset entities)

Acquisition of a subsidiary that does not constitute a business but a group of productive assets are not considered a business combination and the cost of such acquisition is allocated to the identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition. In case the group of productive assets include land lease rights, the cost allocated to these land lease rights will be recorded under prepaid land lease rights and amortised over the term of the lease.

5.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term deposits with original maturity not exceeding three months.

5.3 Receivables

Trade receivables, which generally have a short term, are carried at original invoice amount less allowance for any uncollectible amounts. Allowance is made when there is objective evidence that the Group will not be able to collect the debts.

5.4 Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of retail inventory is determined on the weighted average basis, net of supplier discounts and a provision for estimated physical losses. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

5. Summary of Significant Accounting Policies (continued)

5.5 Property and Equipment

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

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, and equipment are included in the income statement as incurred.

Construction in progress is recorded as the total of actual expenses incurred by the Company from the beginning of construction to the balance sheet date. Accrual of depreciation commences when property and equipment are put into operation.

Borrowing cost directly attributable to the acquisition or construction of property and equipment are capitalized as a part of the cost of these assets. The amount of borrowing cost capitalized on qualifying assets is determined using the weighted average of borrowing cost outstanding during the period of acquisition or construction.

Depreciation is calculated on a straight-line basis over the following estimated useful economic lives of the assets:

Asset Category	Depreciation Period
Buildings	30 years
Trade equipment	7 years
Vehicles	5-10 years
Leasehold improvements	Shorter of useful life or term of lease
Other assets	5-7 years

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year end.

5.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary undertaking at the date of acquisition. Goodwill on an acquisition of a subsidiary is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

5. Summary of Significant Accounting Policies (continued)

5.6 Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

5.7 Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year end.

5.8 Employee Benefits

In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

5.9 Borrowings

Borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowings are measured at amortized cost using the effective interest method; any difference between the fair value of the consideration received (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

5.10 Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5. Summary of Significant Accounting Policies (continued)

5.11 Revenues and Expenses

Revenues and expenses are recognized in the period when revenue is earned and expense is incurred. Revenue is recognized when the title to the goods and risks of ownership are transferred to the customer, provided that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Revenues consist of retail sales through own and franchised stores and rental income. Franchised stores are owned and operated by the third parties. The majority of franchised stores operates under commission contracts and sells goods on behalf of the Group. Such franchisees are paid a fixed commission on sales which is recorded as operating expense. There are no other operating expenses incurred by the Group with respect to the franchised stores. The remaining franchised stores purchase goods from the Group and re-sell them on their own behalf.

Discounts and rebates from suppliers are allocated to cost of goods sold or inventory at balance sheet date in accordance with the terms of the contract.

5.12 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the leased item and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the date of commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

Capitalized leased assets are depreciated using the straight-line method over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Where the Group leases property and equipment to a third party and retains substantially all the risks and rewards of ownership of the asset these leases are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over lease term on the same basis as rental income.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

5.13 Income Taxes

Income tax has been computed in accordance with the laws of the Russian Federation. It is based on the results for the period as adjusted for items that are non-assessable or disallowed for tax purposes.

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

5. Summary of Significant Accounting Policies (continued)

5.13 Income Taxes (continued)

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

5.14 Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax (VAT) on a net basis.

Value Added Tax Payable

VAT is payable to tax authorities upon collection of receivables from customers. VAT on purchases, which have been settled at the balance sheet date, is deducted from the amount payable.

In addition, VAT related to sales which have not been collected at the balance sheet date (VAT deferred) is also included in the balance of VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Value Added Tax Recoverable

VAT recoverable relates to input VAT which cannot be claimed at the balance sheet date because either certain conditions will be fulfilled over time only or additional documentation is required.

6. Business Combinations and Single Asset Purchases

Acquisitions in 2007

On January 20, 2007 the Group acquired a 100% interest in LLC "Trade Firm "Makedonia", for a consideration of RUR 5,000. As "Makedonia" only held a lease contract for a retail property but was not operating a business, the acquisition was accounted for a single asset entity (see Note 5.1) and the consideration was allocated to prepaid land lease rights.

On February 23, 2007 the Group acquired a 100% interest in CJSC "Privately owned guard enterprise "Gudvill-Garant", situated in Moscow, Russia, for a consideration of RUR 20.

Acquisition in 2006

On April 4, 2006 the Group acquired a 100% interest in LLC "Trade Firm "Samara-Product", a retail chain based in Samara, Russia. The chain operated 18 stores in the city of Samara and 4 stores in Samara region.

The fair value of the net assets acquired at the acquisition date were as follows:

Net assets acquired	**118,812**
Goodwill arising on acquisition (Note 14)	523,188
Total acquisition cost	**642,000**

6. Business Combinations and Single Asset Purchases (continued)

Cash flow on the acquisition was as follows:

Cash Paid	(642,000)
Cash of LLC "Trade Firm "Samara-Product"	2,144
Cash Flow on acquisition net of cash aquired	**(639,856)**

In 2007 LLC "Trade Firm "Samara-Product" was disposed together with several other regional entities (see note 7.2).

7. Disposals

7.1. Disposal of subsidiary

In May 2007 the Group disposed of all of its shares in "Kopeyka Nizhni Novgorod". The subsidiary contributed RR 27,287 to the Group's net profit for the year, including the gain on disposal of RR 29,990.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount at date of disposal
Property, plant and equipment, net	1,742
Deferred income tax asset	3,948
Non-current assets	**5,690**
Trade and other receivables, net	58,392
Taxes receivable	13,756
Cash and cash equivalents	1
Other current assets	523
Current assets	**72,672**
Deferred income tax liability	61
Non-current liabilities	**61**
Current liabilities	**107,792**
Net identifiable liabilities	**29,491**
Consideration received	500
Cash disposed	(1)
Net cash inflow	**499**

7.2. Discontinued operations

On 28 December 2007 the Board of Directors of the Group decided to dispose LLC "Trade Firm "Samara Produkt" (including its subsidiary LLC "Alcor"), LLC "Kopeyka Voronezh", LLC "Kopeyka Yaroslavl" and LLC "Kopeyka Vladimir". The results of years 2006 and 2007 had demonstrated the demand for differential approach to business activity in regions. Centralized management structure exercised in "TD "Kopeyka" does not allow to respond efficiently to rapidly changing business environment. Consequently, the Group decided to restructure its business and sell the above companies to "Kopeyka-Povolzhe". On 28 December 2007 the Group disposed of all of its shares in "Kopeyka Voronezh", "Kopeyka Yaroslavl", "Kopeyka Vladimir", and "Trade Firm "Samara Produkt" (including its subsidiary LLC "Alcor").

7. Disposals (continued)

7.2 Discontinued operations (continued)

The operations of these legal entities in the Samara,Voronezh, Vladimir and Yaroslavl regions were classified as discontinued operations as at 31 December 2007 and the comparative income statement has been represented to show the discontinued operations separately from continuing operations.

The subsidiaries contributed RR249,869 to the net profit for the year, including the gain on disposal of RR1,538,976.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount at date of disposal
Property, plant and equipment, net	1,220,059
Intangible assets, net	627,887
Deferred income tax asset	7,588
Other non-current assets	710
Non-current assets	**1,856,244**
Inventories, net	392,595
Trade and other receivables, net	130,150
Taxes receivable	267,222
Cash and cash equivalents	177,417
Other current assets	1,890
Current assets	**969,274**
Long term debt	841,355
Deferred income tax liability	47,212
Non-current liabilities	**888,567**
Trade and other payables	2,805,493
Taxes payable	16,434
Current liabilities	**2,821,927**
Net identifiable assets/(liabilities)	**(884,976)**
Consideration receivable	**654,000**
Consideration received, satisfied in cash	–
Cash disposed of	(177,417)
Net cash outflow	**(177,417)**

7. Disposals (continued)

7.2 Discontinued operations (continued)

Income from discontinued operations can be summarized as follows:

	2007	2006
Revenues	3,475,995	1,169,609
Expenses	(4,493,991)	(1,243,388)
Loss from operating activities	**(1,017,996)**	**(73,779)**
Finance Costs	(136,949)	(137)
Loss before tax from discontinued operations	**(1,154,945)**	**(73,916)**
Tax income/(expense)		
- related to current pre-tax profit/(loss)	–	(244)
- related to charges in deferred tax	(134,162)	81,234
Profit/(loss) for the period from discontinued operations	**(1,289,107)**	**7,074**
- gain on disposal of the discontinued operations	1,538,976	–
Gain/(loss) after tax for the period from discontinued operations	**249,869**	**7,074**

The net cash flows from (used in) discontinued operations:

Net cash from/(used in) operating activities	148,349	(125,828)
Net cash used in investing activities	(1,249,080)	(582,935)
Net cash from financing activities	1,152,945	804,882
Net cash from discontinued operations	**52,214**	**96,119**

8. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	2007	2006
Petty cash	90,606	66,983
Cash at bank	221,311	188,743
Restricted cash	32,184	–
Cash to be deposited with banks	422,625	402,530
Total cash and cash equivalents	**766,726**	**658,256**

Restricted cash relates to a vendor contract and the amount will be transferred to the vendor by the bank after the terms of the contract are met.

As of December 31, 2007 the equivalent of Rouble 32,184 were denominated in US dollars. Except for that amount all other cash amounts are denominated in Russian Roubles.

9. Inventories, net

Inventories consisted of the following:

	2007	2006
Goods for resale	2,237,255	2,130,802
Other inventories	29,527	49,695
Allowance for obsolescence and inventory losses	(72,696)	(54,133)
Total inventories, net	**2,194,086**	**2,126,364**

Goods for resale consisted of stocks in the retail outlets and warehouses. Provision for physical losses was estimated on the basis the results of periodic stock-takes. Provision for obsolescence reflected the reduction in the net realizable value due to the goods being damaged, or wholly or partially obsolete.

10. Trade Receivables, net

Trade receivables consisted of the following:

	2007	2006
Trade receivables from third parties	801,742	283,307
Trade receivables from related parties	1,484,360	330,713
Allowance for doubtful accounts	(455)	(455)
Total trade receivables, net	**2,285,647**	**613,565**

Trade receivables, all of which are denominated in Russian Roubles, comprises mostly of wholesale trade receivables and receivables for services provided by management of the Company.

Trade receivables from related parties include receivables from previously consolidated entities relating to the 5 subsidiaries sold on December 28, 2007 (see note 7.2 and 31).

11. Advances Paid

Advances paid consisted of the following:

	2007	2006
Advances to suppliers	211,480	395,468
Advances paid to related parties (see Note 31)	725,470	–
Prepaid rent	80,201	80,201
Other	9,451	9,526
Total advances paid	**1,026,602**	**485,195**

12. Taxes Receivable

Taxes receivable consisted of the following:

	2007	2006
VAT recoverable	295,416	204,682
Prepaid VAT	479,081	843,060
Income and other taxes receivable	45,915	78,190
Total taxes receivable	**820,412**	**1,125,932**

12. Taxes Receivable (continued)

The Value Added Tax (VAT) recoverable represents mainly amounts paid in relation to acquisition of fixed assets to be commissioned, construction in progress and the purchase of goods for resale, which will be off-set against VAT on sale of goods to customers. The prepaid VAT represents mainly amounts, paid in excess of revised VAT tax returns of previous reporting periods. The Company believes that amounts are fully recoverable within a year.

13. Other Current Assets

Other current assets consisted of the following:

	2007	2006
Other current assets from related parties (Note 31)	1,068,377	–
Interest on loans from related parties (Note 31)	89,327	–
Other	10,432	21,286
Total other current assets	**1,168,136**	**21,286**

14. Property and Equipment

The analysis of activity in property and equipment is as follows:

	Buildings	Trade equipment	Vehicles	Other	Construction in progress and advances to contractors	Leasehold improvements	Total
Cost							
Balance as of January 1, 2006	2,295,724	1,071,194	211,084	114,334	1,400,311	368,703	5,461,350
Additions	–	–	–	–	2,775,974	529,985	3,305,959
Transfer	1,699,854	1,200,256	142,745	79,530	(3,122,385)	–	–
Disposals	(57,973)	(33,723)	(1,335)	(2,935)	(51,652)	–	(147,618)
Acquisition of a subsidiary	12	5,619	208	–	–	–	5,839
Balance as of December 31, 2006	**3,937,617**	**2,243,346**	**352,702**	**190,929**	**1,002,248**	**898,688**	**8,625,530**
Accumulated depreciation							
Balance as of January 1, 2006	(133,238)	(298,149)	(38,668)	(42,897)	–	(47,148)	(560,100)
Depreciation	(124,009)	(184,867)	(23,797)	(10,020)	–	(98,856)	(441,549)
Disposals	2,332	10,531	581	671	–	–	14,115
Balance as of December 31, 2006	**(254,915)**	**(472,485)**	**(61,884)**	**(52,246)**	**–**	**(146,004)**	**(987,534)**
Net book value	**3,682,702**	**1,770,861**	**290,818**	**138,683**	**1,002,248**	**752,684**	**7,637,996**

	Buildings	Trade equipment	Vehicles	Other	Construction in progress and advances to contractors	Leasehold improvements	Total
Cost							
Balance as of January 1, 2007	3,937,617	2,243,346	352,702	190,929	1,002,248	898,688	8,625,530
Additions	–	–	–	–	1,441,203	630,301	2,071,504
Transfer	621,963	653,005	326,643	151,220	(1,752,831)	–	–
Disposals	(133,235)	(25,344)	(59,210)		(39,778)	–	(257,567)
Discontinued operations	(85,220)	(630,245)	(93,008)	(54,675)	(112,807)	(473,743)	(1,449,698)
Reclassification	(372,439)	(76,165)	–	76,165	–	372,439	–
Acquisition of a subsidiary	–	–	–	475	–	–	475
Balance as of December 31, 2007	**3,968,686**	**2,164,597**	**527,127**	**364,114**	**538,035**	**1,427,685**	**8,990,244**
Accumulated depreciation							
Balance as of January 1, 2007	(254,915)	(472,485)	(61,884)	(52,246)	–	(146,004)	(987,534)
Depreciation and impairment	(140,319)	(337,691)	(54,433)	(50,988)	–	(265,618)	(849,049)
Disposals	18,005	20,825	15,848	454	(18,362)	–	36,770
Discontinued operations	4,143	88,374	6,794	23,925	–	106,403	229,639
Reclassification	8,849	6,455	–	(6,455)	–	(8,849)	–
Balance as of December 31, 2007	**(364,237)**	**(694,522)**	**(93,675)**	**(85,310)**	**(18,362)**	**(314,068)**	**(1,570,174)**
Net book value	**3,604,449**	**1,470,075**	**433,452**	**278,804**	**519,673**	**1,113,617**	**7,420,070**

14. Property and Equipment (continued)

As of December 31, 2007 the gross carrying amount of fully depreciated property and equipment was RR388,818 (2006: RR 245,905)

The amount of borrowing costs capitalized in 2007 was RR6,334 (2006: RR35,688)

The amounts in the ‘Acquisition of a subsidiary’ category reflect the Company’s acquisition of LLC “Trade Firm “Makedonia” and CJSC “Privately owned guard enterprise “Gudvill-Garant”. The acquired fixed assets are recognized at historical value.

The amounts in the ‘Construction in progress’ column represent balances and movements of construction items that are not completed, items of equipment not put into use and advances paid to suppliers of property and equipment.

Possible indications of impairments were identified for leasehold improvements of loss generating shops of Moscow region. For the impairment testing purposes the recoverable amount of the group stores has been determined based on a value-in-use calculation based on cash flow projections using financial budgets approved by management. The discount rate applied to cash flow projections is 13% per annum and and in 2008 and 2009 a 21% growth rate and in 2010 and 2011 a 16/17% growth rate is assumed. The total amount of impairment of leasehold improvements recognized is RR 30,483.

In 2007 changes in the presentation of part of the leasehold improvements and certain items in office fixtures and furniture were made. The items relating to 2006 were reclassified in order to comply with this new presentation.

15. Intangible Assets

The analysis of activity in intangible assets was as follows:

	2007			2006		
	Goodwill	**Other**	**Total**	**Goodwill**	**Other**	**Total**
Cost						
Balance as of January 1	2,638,412	262,518	2,900,930	2,115,224	89,492	2,204,716
Additions	–	31,719	31,719	–	48,211	48,211
Disposals (Note 7.2)	(523,188)	(127,260)	(650,448)	–	–	–
Acquisition of a subsidiary	–	–	–	523,188	124,814	648,002
Balance as of December 31	**2,115,224**	**166,977**	**2,282,201**	**2,638,412**	**262,517**	**2,900,929**
Accumulated amortization						
Balance as of January 1	–	(63,051)	(63,051)	–	(36,487)	(36,487)
Amortization	–	(49,459)	(49,459)	–	(26,564)	(26,564)
Disposals	–	21,970	21,970	–	–	–
Balance as of December 31	**–**	**(90,540)**	**(90,540)**	**–**	**(63,051)**	**(63,051)**
Net intangible assets	**2,115,224**	**76,437**	**2,191,661**	**2,638,412**	**199,466**	**2,837,878**

As described in Notes 4 and 5, Goodwill represents difference between the historical cost of the net assets of the subsidiaries acquired upon the Group’s formation in May 2002, LLC “Trade Firm “Samara Product” acquired in April 2006 and the carrying amount of the respective investments in the Company’s books.

In December 2007 the Group disposed of its subsidiary LLC “Trade Firm “Samara Product”. Consequently, the goodwill occurred upon acquisition of this company equal to RR523,188 was transferred to the new owners.

15. Intangible Assets (continued)

Other intangible assets included purchased software, licenses and trademarks. The amortization of other intangible assets is calculated on a straight line basis over the estimated useful lives of the respective assets.

The amounts in the ‘Acquisition of a subsidiary’ category reflect the Company’s acquisition of LLC “Trade Firm “Samara Product”.

Carrying amount of goodwill as of December 31 can be summarized as follows:

	2007	2006
Group of stores at formation in 2002	2,638,412	2,115,224
Stores acquired through LLC Samara (2006)	–	523,188
Stores disposed through LLC Samara (2007)	(523,188)	–
Total carrying amount of goodwill	**2,115,224**	**2,638,412**

For goodwill impairment testing purposes the recoverable amount of the group stores in the Moscow division (resulting from the original stores in 2002) has been determined based on a value-in-use calculation based on cash flow projections using financial budgets approved by senior management. The discount rate applied to cash flow projections is 13% per annum and in 2008 and 2009 a 21% growth rate and in 2010 and 2011 a 16/17% growth rate is assumed.

The calculation of value–in-use for both groups is most sensitive to the following key assumptions:
- Gross margin – determination of assigned value reflects past experience;
- Discount rate – assigned value reflects estimation of weighted average capital cost;
- Growth rate used to extrapolate cash flows – assigned value reflects market average growth

16. Loans

The long term loans comprise mainly loans granted to related parties totaling RR 2,273,555 (see note 31).

The short term loans comprise mainly loans granted to related parties totaling RR 641,616 (see note 31).

17. Other Non-Current Assets

Other non-current assets consisted of the following:

	2007	2006
Long term rent deposits	52,871	37,342
Long term lease receivable	21,936	19,867
Other	874	1,412
Total	**75,681**	**58,621**

Long term lease receivables represented accounts receivables related to property and equipment leased out to a third party under 5 year long financial lease agreement. (See also Notes 20 and 22).

18. Trade Accounts Payable

Trade payables represent current payables to suppliers of goods and services and property and equipment in the amount of RR5,309,931 (2006: RR3,634,730) and are denominated in Russian Roubles.

Trade accounts payable significantly increased in 2007 due to prolongation of the terms of payment from 30 days to 60 days.

19. Taxes Payable

Taxes payable consisted of the following:

	2007	2006
Value added tax payable	118,516	10,632
Income tax	52,101	41,926
Property tax	32,593	27,884
Other taxes	34,484	20,155
Total taxes payable	**237,694**	**100,597**

20. Other Non-Current Liabilities

At December 31, 2007 other non-current liabilities in the amount of RR7,415 (2006: RR 4,693) consisted of the long-term portion of deferred interest revenue attributable to property and equipment leased out under financial lease agreement.

21. Debt

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

	2007	2006
Bonds issued (a)	5,200,000	–
JSC "Commerzbank"	–	543,490
AKB "MDM-Bank"	–	720,000
OJSC BANK URALSIB (b)	859,117	921,589
AB Gazprombank (c)	700,011	–
ZAO Raiffeisenbank Austria (c)	400,000	–
Other short term loans	1,985	620,626
Short term debt payable	26,894	–
Interest and coupons payable	87,999	54,595
Unamortized loan origination cost	(4,751)	(55)
Total short term debt	**7,271,255**	**2,860,245**

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

Long term debt	2007	2006
Bonds issued (a)	4,000,000	5,200,000
Unamortized bond discount (a)	(18,673)	(33,083)
Unamortized loan origination cost	(5,947)	(10,681)
Other long term debt	46,524	–
Total long term debt	**4,021,904**	**5,156,236**

21. Debt (continued)

a) On June 21, 2005 the Group placed its first bonds issue for RR1,200,000 (par value) with quarterly coupon payments and maturing on June 17, 2008. Part of the issue was placed with a premium of RR5,388 to the bonds par value. The coupon rate was 9.75% per annum for coupons 1-6, and on December 19, 2006 the subsequent rate for the coupons 7-12 was established at 9.4% per annum. On the same date the Company received back bonds for the total amount of RR136,000. These bonds were immediately placed on market and sold with discount for the total amount of RR135,592.

On February 22, 2006 the Company issued its second bond issue totaling RR4,000,000 and placed RR1,900,000 at the same date. The second bond is repayable in 6 years and has 24 quarterly coupons. The coupon rate was set at 8.70% per annum for coupons 1-12 and the bond holders have an early redemption option exercisable on February 18, 2009, when the coupon rate for coupons 13-24 will be established. The rest of the amount was placed during April, May, June and July 2006 with a discount.

On February 21, 2007 the Company issued its third bond issue totaling RR4,000,000 which is repayable in 5 years and has 20 quarterly coupons. These bonds were immediately placed on market and sold at par value. The coupon rate was set 9.80% per annum for coupons 1-6, and the bond holders have an early redemption option exercisable on August 20, 2008 when the coupon rate for coupon 7-20 will be established. These bonds are classified as short term debt.

b) In November 2007 OJSC Bank Uralsib provided the Group with credit line in the amount of USD 35 mln (RR 859,117) at an interest rate of 12% per annum which was fully used by the group as of 31 December 2007. The amounts shall be repaid by 11 December 2008. A premises of the Group located in Zelenograd (net book value RR 82,561) was pledged to securitise the loan. Last year the Group had in USD terms the same short term credit line at the year end. As of December 31, 2006 the outstanding loan amount was USD 35 million (RR921,589) bearing interest rate 10.30% annually.

c) The loan to AB Gazprombank (10% annually) was repaid in April 2008 and the loan to ZAO Raifeissenbank (10.07% annually) was repaid in March 2008.

22. Other Current Liabilities

	2007	2006
Wages and social taxes	303,804	191,037
Commission payable	15,434	4,980
Financial lease deferred revenue	1,760	1,259
Other payables	3,988	47
Total other current liabilities	**324,986**	**197,323**

23. Share capital

Number of shares unless otherwise stated	Ordinary shares 2007	Ordinary shares 2006
Authorised shares	2,725,146	2,725,146
Par value	RR 1	RR 1
Issued at beginning of year	2,725,146	2,725,146
Movements	–	–
Issued at end of year	**2,725,146**	**2,725,146**

24. Dividends

The Company did not declare any dividends in 2007 and 2006.

25. Cost of Goods Sold

Cost of goods sold for the years ended December 31 consisted of the following:

	2007	2006
Goods for resale	28,233,410	20,856,283
Shortage of goods	380,366	168,740
Discounts provided by suppliers	(1,237,102)	(694,174)
Total cost of goods sold	**27,376,674**	**20,330,849**

26. Other Revenues

Other revenues for the years ended December 31 consisted of the following:

	2007	2006
Rent	233,632	138,550
Other	82,660	41,609
Total other revenues	**316,292**	**180,159**

27. Selling, General and Administrative Expenses

Selling, general and administrative expenses, excluding depreciation and amortization and store pre-opening costs for the years ended December 31 consisted of the following:

	2007	2006
Personnel	2,524,572	1,487,536
Rent	1,279,085	852,131
Commissions to franchisees	764,056	444,650
Utilities	425,245	278,961
Repair and maintenance	265,921	178,531
Marketing and advertising	190,258	204,258
Materials and supplies	168,372	157,065
Taxes other than income tax	140,456	102,511
Security	73,787	203,110
Bank charges	53,088	35,931
Communication costs	44,719	40,971
Transportation	44,685	63,970
Audit, consulting and legal fees	39,627	152,257
Insurance	11,751	9,136
Other	53,296	55,240
Total selling, general and administrative expenses	**6,078,918**	**4,266,258**

28. Pre-opening costs

Pre-opening costs mainly consisted of the rent, utilities, transportation and communication expenses incurred during the periods prior to the stores opening.

29. Financial Income/(Expense)

Financial income and expense, net for the years ended December 31 consisted of the following:

	2007	**2006**
Interest income	52,927	8,544
Interest expense	(862,507)	(503,806)
Total financial expense, net	**(809,580)**	**(495,262)**

30. Income Taxes

Income tax expense consisted of the following amounts:

	2007	**2006**
Current income tax expense	99,274	193,014
Tax on intra-group dividends	5,040	7,605
Deferred income tax expense/benefit, net	109,334	(67,134)

Reconciliation between the income tax expense reported in the accompanying income statements and income before taxes multiplied by the statutory tax rate of 24% is as follows:

	2007	**2006**
Loss before tax from continuing operations	(156,720)	(248,856)
Profit/(loss) before tax from discontinued operations	384,018	(73,916)
Profit/(Loss) before tax	**227,298**	**(322,772)**
Tax expense computed on income before taxes at the statutory tax rate of 24%	54,552	(77,465)
Tax on intra-group dividends	5,040	7,605
Non-deductible inventory shortages	91,288	42,994
Effect of other non-deductible expenses	62,768	79,361
Income tax expense	**213,648**	**52,495**

30. Income Taxes (continued)

The deferred tax balances were calculated by applying the statutory tax rate of 24% in effect at the respective balance sheet date to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the accompanying balance sheet and are comprised of the following at December 31:

	December 31, 2007	December 31, 2006
Effect of temporary differences resulting in deferred tax asset:		
Loss carried forward	97,520	223,381
Vacation accrual	–	6,355
Valuation of goods for resale	22,063	19,833
Valuation of long term debt	–	10,490
Valuation of accounts receivable	6,502	–
Other	312	3,883
Total deferred tax asset	**126,397**	**263,942**
Effect of temporary differences resulting in deferred tax liability:		
Property and equipment valuation	180,547	156,357
Valuation of accounts payable	33,402	22,629
Valuation of long term debt	4,903	–
Valuation of accounts receivable	47,415	–
Other assets valuation	1,700	18,780
Total deferred tax liability	**267,967**	**197,766**
Net deferred tax (liability)/asset	**(141,571)**	**66,176**

During 2006 and 2007 several subsidiaries of the Company that recently started operations incurred tax losses resulting in deferred tax asset of RR97,520 (2006: RR223,381). These losses can be offset against future taxable profits within the following 10 years. Management reviewed the probability that the associated tax benefit will be fully realized within the allowable carry forward period. Based on these assumptions management concluded that no valuation allowance is required in this respect.

31. Related Party Transactions

Most significant related party transactions relate to Uralsib Group, Onceil Trading Ltd. and Kopeyka Povolzhe Group, which are “other related parties”.

Related Party Balances as at 31 December 2007 can be summarized as follows:

Related Party	Loans receivable (a)	Trade Receivables (b)	Other current assets (c)	Advances paid (d)	Deposits & Cash (e)	Total
Uralsib Group	–	–	–		33,359	33,359
Kopeyka Povolzhe Group	3,004,498	1,381,919	1,068,377	210,000	–	5,664,794
Onceil Trading Ltd.	–	–	–	515,470	–	515,470
Other	–	102,441	–	–	–	102,441
Total	**3,004,498**	**1,484,360**	**1,068,377**	**725,470**	**33,359**	**6,316,064**

	Loans payable (f)	Other Payables	Total
Uralsib Group	859,117	3,467	862,584
Other	–	3,518	3,518
Total	**859,117**	**6,985**	**866,102**

31. Related Party Transactions (continued)

Related Party Balances as at 31 December 2006 can be summarized as follows:

Related Party	Loans receivable	Trade Receivables	Other current assets	Advances paid	Deposits & Cash	Total
Uralsib	–	–	–	–	327,895	327,895
Kopeyka Povolzhe Group	–	305,747	–	–	–	305,747
Other	–	24,966	–	–	–	24,966
Total	**–**	**330,713**	**–**	**–**	**327,895**	**658,608**

	Loans payable (Note 21)	Other Payables	Total
Uralsib	921,589	1,202	922,791
Other	–	21,169	21,169
Total	**921,589**	**22,371**	**943,960**

a) The loans receivable from Kopeyka Povolzhe are as follows:

	12/31/2007				
Company	**Principal amount**	**Interest accrued**	**Total amount due**	**Interest rate**	**Repayment Date**
OOO "Kopeyka Povolzhe"	900,000	466	900,466	10.00%	3/26/2010
OOO TF "Samara-Produkt"	653,700	5,552	659,252	10.00%	7/13/2012
OOO " Kopeyka Voronezh "	532,200	14,467	546,667	10.00%	7/13/2012
OOO TF "Samara-Produkt"	187,655	1,594	189,249	10.00%	9/4/2010
Subtotal long term loans	**2,273,555**	**22,079**	**2,295,634**		
OOO "Kopeyka Voronezh"	611,266	66,845	678,111	10.00%	12/28/2008
Other	30,350	403	30,753	1.00%	in 2008
Subtotal short term loans	**641,616**	**67,248**	**708,864**		
Total	**2,915,171**	**89,327**	**3,004,498**		

b) As of December 31, 2007 the following entities form Kopeyka Povolzhe Group:

- LLC "Kopeyka-Povolzhye" (retail company),
- LLC "Kopeyka-Sarov" (retail company),
- LLC "Alyans-Tehnoservis" (energy provider for the Holding),
- LLC "Proviant" (development and management of commercial property for the Holding),
- LLC "Ispytatelny Laboratorny Centr" (provider of sanitary research and analysis for the Holding),
- LLC "Kopeyka Voronezh"(retail company),
- LLC 'Kopeyka Vladimir"(retail company),
- LLC "Kopeyka Yaroslavl"(retail company)
- LLC "Torgovaya Firma "Samara product"(retail company).

In 2006 the Group signed a commission contract with LLC "Kopeyka-Povolzhye". Sales to LLC "Kopeyka-Povolzhye" are directly recognized by the Group and amounted to RR4,191,765 in 2007 (2006: RR1,140,905). The commission paid to LLC "Kopeyka-Povolzhye" was RR421,610 (2006: RR146,795).

31. Related Party Transactions (continued)

c) Other current assets can be summarised as follows:

	2007
Receivable from sales of subsidiaries (see Note 7.2)	654,000
Receivables from IT services	169,432
Other	155,996
Construction contract receivable (5)	88,949
Total	**1,068,377**

d) The Group made a prepayment on purchase of an entity owning a warehouse and based on a preliminary agreement a prepayment to the parent company (Onceil Trading Ltd) of Kopeyka Povolzhe because in 2006 there were intentions to purchase Kopeyka Povolzhe in 2007. After the prepayment was made both parties agreed in April 2007 not to exercise the preliminary agreement. However, the Group still intends to by Kopeyka Povolzhe at a later stage and therefore did not request a repayment of the prepayment.

e) The Company deposited RR31,101 (2006: RR 322,850) on the brokerage account with LLC Uralsib Capital as of December 31, 2007.

f) Loans and financial services from Uralsib

For details of loans see Note 21. Uralsib was also the underwriter for all three bonds issues and provides other financial services to the Group.

32. Compensation to Key Management Personnel

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totaling 7 persons as at December 31, 2007 (2006: 7). Total compensation to key management personnel included in general and administrative expenses in the income statement amounted to RR24,577 in 2007 (2006: RR30,671).

33. Commitments and Contingencies

33.1 Operating Environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

33.2 Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome.

33. Commitments and Contingencies (continued)

33.2 Taxation (continued)

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

As of December 31, 2007 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

The Group’s policy is to accrue for tax provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with the Russian tax and legal systems, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued as of December 31, 2007.

Management’s estimate of the amount of possible liabilities, including fines, that could be incurred in the event that the tax authorities disagree with the Group’s position on certain tax matters and certain tax practices used by the Group was approximately RR 19,999 as at December 31, 2007. These claims mostly related to the application of Constitutional court decision on deductibility of input VAT paid. As the Group has a history of successful defence against similar claims management believes these will not likely result in a future outflow of resources, consequently no provision is required in respect of these matters.

33.3 Legal Proceedings

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

33.4 Purchase and Lease Commitments

As of December 31, 2007 the Group had a number of outstanding cancelable and non-cancelable long-term lease contracts in which the rent is stated in Russian Roubles or calculated based on US Dollar and Euro exchange rates. The rent is paid when incurred on a monthly basis. Future minimum rentals payable under the non-cancelable operating leases (expressed in RR as converted at year-end exchange rate) were as follows as of December 31, 2007:

Operating lease commitments

	Contracts in RR	**Linked to USD rate**	**Linked to Euro rate**	**Linked to USD and Euro rates**
Within one year	329,621	581,079	7,534	98,034
After one year but not more than five years	1,272,784	2,170,874	30,137	352,813
More than five years	750,865	1,249,547	26,339	76,483

33. Commitments and Contingencies (continued)

33.4 Purchase and Lease Commitments (continued)

Finance lease commitments

The Group has a finance lease contract for Hewlett Packard IT equipment with the net carrying amount of RR77,118 at December 31, 2007. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Minimum payments	Present value of payments
Within one year	59,454	54,065
After one year but not more than five years	41,652	32,694
Total minimum lease payments	**101,106**	**86,759**

Capital commitments

As of December 31, 2007 the Group’s capital commitments under construction contracts, mainly related to leasehold improvements, amounted to RR 25,716 (2006: RR193,888). Also as of December 31, 2007 the Group had unfulfilled purchase commitments for trade equipment amounting to RR8,589 (2006: RR 76,205).

34. Financial Instruments and financial risk management objectives and policies

Financial risk management objectives and policies

The Group’s principal short and long-term financial liabilities comprise bonds, bank loans, overdrafts and trade payables. The main purpose of the bond issues was to finance the growth in operating activities. Other financial instruments are used to raise finance for the Group’s operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations. Loans granted and other receivables mainly resulted from disposal of five subsidiaries.

The main risks arising from the Group’s financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations with interest rates (Note 21) that are subject to change. The Group’s policy is to manage its interest cost by monitoring changes in interest rates with respect to its borrowings.

As of 2007 there are only the bonds of the 2007 issue (RR 4,000,000) whose interest rate (currently 9.8%) may change. The Group expects an interest determination at 14 to 15 % which in 2008 would lead to additional interest expenses in a range between RR 63 mln to 78 mln compared to the current interest rate. (see also Note 21). As of 31 December 2006 there was only one short term loan with floating interest rates which was due on 20 January 2007 and therefore, the impact of interest changes had been immaterial. There is no impact on the Group’s equity.

34. Financial risk management objectives and policies (continued)

Financial risk management objectives and policies (continued)

Foreign currency risk

The foreign currency risk of the Group arises from the fact that part of the borrowings and cash in bank is denominated in USD (see Uralsib bank loan in Note 21 b). The Group is not engaged in any significant hedging activity to mitigate this risk.

The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its payables and borrowings are denominated.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax and Group's equity:

	Increase/ decrease in US Dollar rate	Effect on profit before tax, `000 RR
As at 31 December 2007	+5%	(44,565)
	-5%	44,565
As at 31 December 2006	+5%	(52,020)
	-5%	52,020

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments. Plans and alternatives to manage the liquidity risk are included in Note 35 'going concern'.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (there are no liabilities due in more than five years):

As at 31 December 2007	**Total**	**Less than 3 months**	**3 to 12 month**	**1 to 5 years**
Bank and other loans	2,093,159	487,507	1,605,652	–
Bonds issued	9,896,697	212,378	5,637,601	4,046,718
Other liabilities	332,404	324,989	7,415	–
Trade and other payables	5,547,625	5,547,625	–	–
	17,869,885	**6,572,499**	**7,250,668**	**4,046,718**

As at 31 December 2006	**Total**	**Less than 3 months**	**3 to 12 month**	**1 to 5 years**
Bank and other loans	2,816,481	–	2,816,481	–
Bonds issued	6,066,625	116,250	348,750	5,601,625
Other liabilities	202,016	197,323	4,693	–
Trade and other payables	3,735,327	3,735,327	–	–
	12,820,449	**4,048,900**	**3,169,924**	**5,601,625**

34. Financial risk management objectives and policies (continued)

Financial risk management objectives and policies (continued)

Credit Risk

Financial assets which potentially subject Group entities to credit risk consist primarily of trade receivables and loans to related parties (see Note 31) and cash. The Group has policies in place to ensure that sales of services and products are made to customers with an appropriate credit history. The carrying amount of accounts receivable represents the maximum amounts exposed to credit risk. Although collection of receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Group. The Group signed an agreement with Kopeyka Povolzhe for repayment of loans and receivables (see Note 36).

With respect to credit risk arising from cash and cash equivalents the Group's exposure to credit risk arises from default of the corresponding financial institution with a maximum exposure equal to the carrying amount of cash and cash equivalents.

Except for the significant receivables from related parties there are no significant concentrations of credit risk within the Group. The table below summarises the receivables:

31 December 2007	**Trade receivables**	**Other current assets**	**Total**
Related Parties	1,484,360	1,068,377	2,552,737
Third Parties	801,287	99,759	901,046
Total	**2,285,647**	**1,168,136**	**3,453,783**

31 December 2006	**Trade receivables**	**Other current assets**	**Total**
Related Parties	330,713	–	330,713
Third Parties	282,852	21,284	304,136
Total	**613,565**	**21,284**	**634,849**

			Not impaired but past due amounts for trade and other receivables		
	Total	**Neither impaired nor past due**	**Less than 3 months**	**3 to 6 months**	**> 6 months**
31 December 2007	3,453,783	2,683,757	–	466,657	303,369
31 December 2006	634,849	549,259	–	79,341	6,249

Past due amounts mainly relate to receivables from related parties.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern (see Note 35) in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

34. Financial risk management objectives and policies (continued)

Financial risk management objectives and policies (continued)

The Group includes within net debt borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent.

	As at December 31, 2007	As at December 31, 2006
	`000 RR	`000 RR
Interest bearing Borrowings	11,293,159	8,883,106
Trade and other payables	5,547,625	3,735,327
Less: cash and cash equivalents	766,726	658,256
Net debt	**16,074,058**	**11,960,177**
Equity	3,591,920	3,712,419
Capital and net debt	**19,665,978**	**15,672,596**
Gearing ratio	82%	77%

Interest income and expenses are disclosed in Note 29.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group’s financial instruments, including those classified under discontinued operations that are carried in the consolidated financial statements:

	31 December 2007		31 December 2006	
	Fair value	Net carrying amount	Fair value	Net carrying amount
	`000 RR	`000 RR	`000 RR	`000 RR
Financial Assets				
Long term loans	2,140,016	2,280,166	30,650	30,650
Trade and other receivables	3,453,783	3,453,783	634,849	634,849
Cash and cash equivalents	766,726	766,726	658,256	658,256
Financial Liabilities				
Long-term debt (bonds)	3,674,800	4,017,170	5,171,760	5,156,236
Short-term debt (bonds)	4,976,760	5,200,000	–	–
Short-term borrowings	2,071,254	2,071,254	2,860,245	2,860,245
Trade, other payables and liabilities	5,873,153	5,873,153	3,933,189	3,933,189

The fair value of long-term and short term debt is the market value of Group’s bonds traded on market. Fair values of cash and cash equivalents, trade and other receivables and short-term borrowings, trade and other payables approximate their carrying amounts due to their short maturity. To estimate the fair value of the long term loans a discount rate of 14 % was used.

35. Going Concern

As of and for the year ended 31 December 2007, the Group had a net working capital deficit of RUR 4,205 million and net losses from continued operations of RUR 370 million. RUR 4 billion will be subject to a bondholders’ put option in August 2008. Furthermore the Group has significant receivables from Kopeyka Povolzhe (a related party) and although collateralized by assets of that entity, there is uncertainty about the ultimate repayment of this receivable. In addition, the current credit crisis has given rise to a tightening credit market and increasing borrowing costs. These circumstances constitute a significant liquidity risk for the Group in 2008 and cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management’s plans to address these issues include the following actions:

- The Group sold several regional loss-making retail chains in order to improve profitability and operational cash flows. Please refer to Note 7.2 ‘discontinued operations’.
- Several premises (shops) have been sold to a related party under a sale and leaseback (operational lease) arrangement in order to fund the repayments of the RUR 1.2 million of bonds (see Note 36 ‘Subsequent events’).
- The Group involved LLC Uralsib Capital on a success fee basis to conduct negotiations with bondholders in order to limit the number of redemptions in respect of the bonds due in August.
- In the case of the redemption of certain bonds with put options in August, the Group intends to finance repayment of bonds by selling additional shops to a related party or refinancing current financial obligations with long-term bank loans (the Group’s real estate may serve as collateral).
- The Group signed a debt settlement agreement with Kopeyka Povolzhe (see note 36 ‘Subsequent events’).
- One short-term bank loan (RUR 400 million from Raiffeisenbank) has been refinanced with a new long-term bank loan (RUR 600 million from Sberbank to reduce financial obligations payable in 2008(see Note 36 ‘Subsequent events’).
- A more conservative growth strategy was selected in order to shift the focus from accelerated growth to improved operational performance.

Considering the above actions and plans of the Group management believes that a going concern basis for preparing these financial statements is appropriate.

36. Subsequent Events

In January 2008 the Group acquired LLC “Proviant” the company with business activity in development and management of commercial property in Nizhniy Novgorod for a consideration of RR 641,000.

In February 2008 the Group repaid a short-term loan of RR 400,000 from Raiffeisenbank and received a long-trem loan of RR 600,000 from Sberbank.

On June 17, 2008 the Group repaid the 2005 bond issue (RR 1,200,000). To finance the repayment of this bond issue the Group sold 19 shops to Uralsib group. These shops were leased back under operating lease.

On June 25, 2008 the Group signed a contract with the Kopeyka Povolzhe group in order to refinance loans and receivables from the Kopeyka Povolzhe group. RR 4,680,695 were secured by collaterals (RR 3,405,715 property - unaudited, RR 935,180 trade equipment - unaudited, RR 339,800 inventory - unaudited).