OJSC RBC Information Systems

Consolidated Financial Statements for the year ended 31 December 2006

Contents

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Independent Auditors' Report

Board of Directors

OJSC RBC Information Systems

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC RBC Information Systems (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, 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 financial statements that are free from material misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 auditor's 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 principles 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 opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that the USD amounts in the accompanying consolidated financial statements, which are presented solely for the convenience of users as described in note 2(d), do not form part of the consolidated financial statements and are unaudited.

KPMG Limited

KPMG Limited
20 August 2007

	Note	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Revenue	6	5,612	3,150	213	119
Cost of sales		(3,505)	(2,090)	(133)	(79)
Gross profit		2,107	1,060	80	40
Other income	7	13	6	-	-
Distribution expenses		(731)	(340)	(28)	(13)
Administrative expenses	8	(369)	(169)	(14)	(6)
Other expenses	9	(74)	(28)	(3)	(1)
Income from non-current other investments	11	175	-	7	-
Income from current other investments	11	291	146	12	6
Financial expenses	11	(216)	(100)	(8)	(4)
Profit before income tax		1,196	575	46	22
Income tax (expense)/benefit	12	(157)	24	(6)	1
Profit for the year		1,039	599	40	23
Attributable to:					
Shareholders of the Company		1,046	599	40	23
Minority interest		(7)	-	-	-
		1,039	599	40	23
Basic and diluted earnings per share	26				
		RUR	RUR	USD*	USD*
Basic earnings per share		9.09	5.22	0.350	0.200
Diluted earnings per share		8.73	5.03	0.336	0.194

These consolidated financial statements were approved by the Board of Directors on 20 August 2007 and were signed on its behalf by:

Chief Executive Officer

German Kaplun

Vice Chairman of Finance

Dmitry Belik

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 61.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

	Note	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	13	589	574	22	22
Intangible assets	14	1,803	684	69	26
Prepayment for acquisition of subsidiary	15	354	41	13	2
Loans	16	-	33	-	1
Other assets	17	28	38	1	1
Other investments	18	432	46	16	2
Finance lease receivables		7	9	-	-
		3,213	1,425	121	54
Current assets					
Inventories	20	88	20	3	1
Other investments	18	287	256	11	10
Loans	16	104	27	4	1
Trade and other receivables	21	1,029	818	39	31
Cash and cash equivalents	22	3,488	1,368	133	52
		4,996	2,489	190	95
Total assets		8,209	3,914	311	149

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 5 to 61.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

	Note	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
EQUITY AND LIABILITIES					
Equity	23				
Share capital		-	-	-	-
Share premium		2,149	1,493	82	57
Treasury shares		(827)	(90)	(32)	(3)
Foreign currency translation reserve		11	-	-	-
Retained earnings		2,416	1,361	92	52
Total equity attributable to shareholders of the Company		3,749	2,764	142	106
Minority interest		217	-	8	-
Total equity		3,966	2,764	150	106
Non-current liabilities					
Loans and borrowings	24	2,634	305	100	11
Deferred tax liabilities	19	86	85	3	3
Provisions	25	50	-	2	-
		2,770	390	105	14
Current liabilities					
Loans and borrowings	24	295	175	11	7
Trade and other payables	27	1,076	575	41	22
Income tax payable		102	10	4	-
		1,473	760	56	29
Total liabilities		4,243	1,150	161	43
Total equity and liabilities		8,209	3,914	311	149

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 6 to 61.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
OPERATING ACTIVITIES				
Profit for the year	1,039	599	40	23
Adjustments for:				
Depreciation and amortisation	408	324	15	12
Unrealised foreign exchange (gain)/loss	(2)	3	-	-
Loss on disposal of property, plant and equipment	6	7	-	-
Net gain from investments in mutual funds	(175)	-	(7)	-
Net gain from disposal of promissory notes	(19)	(6)	(1)	-
Net gain from investments held for trading	(228)	(100)	(9)	(4)
Gain on disposal of other assets	(9)	-	-	-
Share option program compensation expense	9	-	-	-
Discount on transfer of debt	-	4	-	-
Interest expense	204	66	8	3
Interest income	(44)	(36)	(2)	(2)
Income tax expense/(benefit)	157	(24)	6	(1)
Operating profit before changes in working capital and provisions	1,346	837	50	31
Decrease in inventories	66	65	3	2
(Increase)/decrease in trade and other receivables	(21)	91	(1)	4
Increase/(decrease) in trade and other payables	268	(164)	10	(6)
Increase in provisions, other than on income tax	22	-	1	-
Cash flows from operations before income taxes and interest paid	1,681	829	63	31
Income taxes paid	(35)	(26)	(1)	(1)
Interest paid	(167)	(56)	(6)	(2)
Cash flows from operating activities	1,479	747	56	28

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 7 to 61.

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	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	42	43	2	1
Proceeds from disposal of other investments	2,175	1,950	82	74
Proceeds from disposal of other assets	19	-	1	-
Loans granted	(194)	(36)	(7)	(1)
Repayment of loans granted	153	58	6	2
Prepayment for shares in subsidiaries	(354)	-	(13)	-
Interest received	54	29	2	1
Acquisition of property, plant and equipment	(199)	(138)	(8)	(5)
Acquisition of intangible assets	(458)	(364)	(17)	(14)
Acquisition of other investments	(2,183)	(1,635)	(83)	(62)
Acquisition of other assets	-	(27)	-	(1)
Acquisition of subsidiaries, net of cash acquired	(601)	-	(23)	-
Cash flows utilised in investing activities	(1,546)	(120)	(58)	(5)
FINANCING ACTIVITIES				
Proceeds from issue of share capital, net of transaction costs	543	-	21	-
Prepayments for shares issued in 2006	-	116	-	4
Acquisition of treasury shares	(740)	(237)	(28)	(9)
Proceeds from borrowings	3,190	174	121	7
Repayment of borrowings	(806)	(71)	(31)	(3)
Proceeds from sale of treasury shares	-	189	-	7
Cash flows from financing activities	2,187	171	83	6
Net increase in cash and cash equivalents	2,120	798	81	30
Cash and cash equivalents at beginning of year	1,368	570	52	22
Cash and cash equivalents at end of year (note 22)	3,488	1,368	133	52

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8 to 61.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

	Attributable to shareholders of the Company					Minority interest	Total
Mln RUR	**Share capital**	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**		
Balance at 1 January 2005	-	1,464	(4)	-	762	-	2,222
Profit and total recognized income and expense for the year	-	-	-	-	599	-	599
Treasury shares acquired	-	-	(237)	-	-	-	(237)
Treasury shares sold, net of tax	-	30	150	-	-	-	180
Warrants exercised	-	(1)	1	-	-	-	-
Balance at 31 December 2005	-	1,493	(90)	-	1,361	-	2,764

	Attributable to shareholders of the Company					Minority interest	Total
Mln RUR	**Share capital**	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**		
Balance at 1 January 2006	-	1,493	(90)	-	1,361	-	2,764
Profit for the year	-	-	-	-	1,046	(7)	1,039
Foreign currency translation differences	-	-	-	11	-	-	11
Total recognized income and expense for the year	-	-	-	11	1,046	(7)	1,050
Acquisition of subsidiaries (note 5)	-	-	-	-	-	224	224
Additional share issues	-	659	-	-	-	-	659
Options granted (note 28(b))	-	-	-	-	9	-	9
Treasury shares acquired	-	-	(740)	-	-	-	(740)
Warrants exercised	-	(3)	3	-	-	-	-
Balance at 31 December 2006	-	2,149	(827)	11	2,416	217	3,966

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 9 to 61.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Mln USD*	Attributable to shareholders of the Company					Minority interest	Total
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings		
Balance at 1 January 2005	-	56	-	-	29	-	85
Profit and total recognized income and expense for the year	-	-	-	-	23	-	23
Treasury shares acquired	-	-	(9)	-	-	-	(9)
Treasury shares sold, net of tax	-	1	6	-	-	-	7
Warrants exercised	-	-	-	-	-	-	-
Balance at 31 December 2005	-	57	(3)	-	52	-	106

Mln USD*	Attributable to shareholders of the Company					Minority interest	Total
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings		
Balance at 1 January 2006	-	57	(3)	-	52	-	106
Profit for the year	-	-	-	-	40	-	40
Foreign currency translation differences	-	-	-	-	-	-	-
Total recognized income and expense for the year	-	-	-	-	40	-	40
Acquisition of subsidiaries (note 5)	-	-	-	-	-	8	8
Additional share issues	-	25	-	-	-	-	25
Options granted (note 28(b))	-	-	-	-	-	-	-
Treasury shares acquired	-	-	(28)	-	-	-	(28)
Warrants exercised	-	-	-	-	-	-	-
Balance at 31 December 2006	-	82	(32)	-	92	8	150

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 10 to 61.

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1 Background

(a) Organisation and operations

OJSC RBC Information Systems (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation, and companies located abroad. The Company was established as an open joint stock company in 2000. The Company's shares are traded in Russia on the Moscow Stock Exchange and Russian Trading System (RTS), and in the United States of America through a Level-1ADR program.

The Company's registered office is Russian Federation, Moscow, Profsoyuznaya street, 78.

The Group's principal activities are advertising, provision of information services, operation of a business TV channel, development and selling software, magazine edition. These services and products are sold in the Russian Federation and abroad.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that investments at fair value through profit and loss are stated at fair value; and the carrying amounts of non-monetary assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

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(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest million.

(d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in USD has been presented for the convenience of users of the consolidated financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2006 of RUR 26.3311 to USD 1. All financial information presented in USD has been rounded to the nearest thousand.

(e) Use of judgements, estimates and assumptions

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. Actual results may differ from those estimates.

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

- Note 14 – estimation of useful lives and goodwill impairment;
- Note 25 – provision for tax liabilities;
- Note 28 – fair value of share options;
- Note 29 – fair values of financial instruments;
- Note 31 – contingencies.

3 Significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are described in notes 3(a) to 3(q). These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assesseing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control ceases.

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(ii) Special purpose entities

The Group has established a special purpose entity ("SPE") for placement of bonds. The Group does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2004, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows

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from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in note 3(k).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

(d) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

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(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- TV equipment 5 years
- Computer equipment 5 years
- Office equipment 5 years
- Other assets 5 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Intangible assets and goodwill

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions

For acquisitions, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the

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acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Trademarks

Trademarks acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Web-sites

Costs relating to the development of web-sites are capitalized if the site is functional in nature (i.e. it is designed to generate revenue from on-line sales).

Expenditure on design, content and appearance of the site is expensed as incurred.

(v) Capitalised development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(vi) Brands

Brands acquired by the Group in connection with the acquisition of internet resources (see note 14), are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the profit and loss when incurred.

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(vii) Other intangible assets

Other intangible assets, which are acquired by the Group and which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

(viii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(ix) Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date when they are available for use. The estimated useful lives of amortised assets for this and comparative periods are as follows:

- Trademarks 7 to 20 years, and indefinite
- Software 3 years
- Web-sites 3 years
- Capitalised development costs 3 years
- Brands 12 years
- Customer lists 5 to 10 years
- Cable network connection 15 years.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories other than of the IT segment is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of computers and spare parts in the IT segment, which are not ordinarily interchangeable and which are segregated for specific projects is determined by using the specific identification of individual costs.

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows

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discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only 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.

(i) Provisions

(i) Tax provisions

The Group provides for tax risks including interest and penalties, when it is probable that an outflow of economic benefits will be required according to the effecive laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities.

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(ii) Other provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

(j) Revenues

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(k) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value and gains on disposal of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value and losses on disposal of financial assets at fair value through profit or loss, and impairment losses on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(l) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet 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 is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(n) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(p) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2006, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital.
- IFRS 8 *Operating Segments,* which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting.

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- IFRIC 8 *Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*, which is effective for annual periods beginning on or after 1 March 2007. The Interpretation addresses the classification of the share-based payment as equity-settled or cash-settled in the financial statements of the entity receiving the services.

The Group has not analysed the likely impact of the new standards on its financial position and performance.

(q) Changes in presentation

During the current year the Group modified the presentation of financial income, showing separately income from non-current other investments and income from current other investments in the consolidated income statement, because of the increase in operations with non-current other investments in 2006 (note 18).

4 Segment reporting

Segment information is presented in respect of the Group's business segments. Business segments are based on the Group's management and internal reporting structure.

Inter-segment pricing is not determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

(a) Business segments

The Group comprises the following main business segments:

Core Business segment. Provision of internet advertising, information services, developing and selling software products.

TV segment. Operation of satellite TV channel, as well as related services.

Printing segment. Provision of advertising in magazines, newspaper and sale of editions.

IT segment. Development and sale of software, systems integration, IT infrastructure design and maintenance, implementation services.

In the prior year revenues, operating results, assets and liabilities of the IT business were presented within the core business segment. In 2006, the IT business has been presented as a separate business segment. Comparative information has been modified accordingly.

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(i) Business segments

mln RUR	Core business		TV		IT		Printing		Eliminations		Consolidated	
	2006	**2005, restated**	**2006**	**2005**	**2006**	**2005, restated**	**2006**	**2005, restated**	**2006**	**2005**	**2006**	**2005**
Revenue from external customers	2,161	1,614	931	698	2,094	838	426	-	-	-	5,612	3,150
Inter-segment revenue	130	108	41	141	58	36	19	-	(248)	(285)	-	-
Total revenue	2,291	1,722	972	839	2,152	874	445	-	(248)	(285)	5,612	3,150
Segment result	1,296	715	255	274	368	102	180	-	8	(31)	2,107	1,060
Unallocated expenses											(1,161)	(531)
Profit from operations											946	529
Financial income											466	146
Financial expenses											(216)	(100)
Income tax (expense)/benefit											(157)	24
Net profit for the year											1,039	599
Segment assets	4,993	1,933	398	610	974	135	943	8	(143)	(421)	7,165	2,265
Unallocated assets											1,044	1,649
Total assets											8,209	3,914
Segment liabilities	650	754	142	277	306	60	66	-	(75)	(131)	1,089	960
Unallocated liabilities											3,154	190
Total liabilities											4,243	1,150
Depreciation/amortisation	135	170	173	136	57	54	48	-	-	(22)	413	338
Capital expenditure	469	473	230	113	107	66	789	-	-	-	1,595	652

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(ii) Business segments

mln USD*	Core business		TV		IT		Printing		Eliminations		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenue from external customers	82	61	35	26	80	32	16	-	-	-	213	119
Inter-segment revenue	5	4	2	5	2	1	1	-	(10)	(10)	-	-
Total revenue	87	65	37	31	82	33	17	-	(10)	(10)	213	119
Segment result	49	27	10	10	14	4	7	-	-	(1)	80	40
Unallocated expenses											(45)	(20)
Profit from operations											35	20
Financial income											19	5
Financial expenses											(8)	(4)
Income tax (expense)/benefit											(6)	1
Net profit for the year											40	23
Segment assets	190	74	15	23	37	5	36	-	(5)	(16)	273	86
Unallocated assets											38	63
Total assets											311	149
Segment liabilities	25	29	5	10	11	2	3	-	(3)	(5)	41	36
Unallocated liabilities											120	7
Total liabilities											161	43
Depreciation/amortisation	5	7	7	5	2	2	2	-	-	(1)	16	13
Capital expenditure	18	18	9	4	4	3	30	-	-	-	61	25

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5 Acquisition and disposals of subsidiaries

(a) Acquisition of EDI S Press Group

On 30 June 2006 the Group acquired 60.0% of the shares in EDI S Press Group for RUR 634 million/ USD* 24 million, which was settled in cash. EDI S Press group includes the following subsidiaries:

	Country of incorporation	Effective interest of the Group as of the acquisition date and as of 31 December 2006
ZAO Salon-Press	Russia	60.0%
ZAO Izdatelsky Dom Salon-Press	Russia	60.0%
ZAO Eidos Logistics	Russia	60.0%
ZAO Reklamnoe Agentstvo Eidos	Russia	60.0%
OOO Media-Servis	Russia	60.0%
OOO Luxury Media	Russia	60.0%
Formax Publications Ltd.	Ukraine	30.6%
OOO S-Press	Ukraine	60.0%
Meramedia	Cyprus	60.0%
Lumax Advertising	Cyprus	60.0%
Eidos Marketing Ltd.	BVI	60.0%
In Pro ES	Cyprus	60.0%
AD Point	BVI	60.0%
ASMC	BVI	60.0%
CB Capel	Cyprus	60.0%

Main activities of EDI S Press Group are publishing and distribution of magazines “Idei Vashego Doma”, “Interier-Magazin”, “Salon-Interier” and others, in Russia and Ukraine.

The acquired subsidiaries contributed a profit of RUR 12 million/ USD* 0.456 million to the Group’s profit for the year ended 31 December 2006.

In 2007 management of the Group has commissioned American Appraisals to assess fair values of identifiable intangible assets of Russian entities of EDI S Press Group. The appraiser has identified the following intangible assets:

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	Fair value, mln.RUR	Fair value, mln.USD*	Estimated remaining useful life
Trademark "Idei Vashego Doma"	190	7	indefinite
Trademark "Salon-Interier"	132	5	indefinite
Trademark "Interier-Magazin"	16	1	20 years
	338	13	
Customer relationships	140	5	10 years

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

Mln RUR	**Recognised fair values on acquisition**
Non-current assets	493
Property, plant and equipment	14
Intangible assets (note 14)	477
Investments	1
Deferred tax asset	1
Current assets	132
Inventories	18
Trade and other receivables	81
Cash and cash equivalents	33
Other assets	-
Non-current liabilities	(4)
Loans and borrowings	(4)
Deferred tax liability	-
Current liabilities	(84)
Loans and borrowings	(1)
Trade and other payables	(83)
Net identifiable assets, liabilities and contingent liabilities	537
Group's share in net identifiable assets, liabilities and contingent liabilities	322
Goodwill on acquisition	312
Consideration paid	634
Cash acquired	(33)
Net cash outflow	601

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Mln USD*	**Recognised fair values on acquisition**
Non-current assets	19
Property, plant and equipment	1
Intangible assets (note 14)	18
Investments	-
Deferred tax asset	-
Current assets	5
Inventories	1
Trade and other receivables	3
Cash and cash equivalents	1
Other assets	-
Non-current liabilities	-
Loans and borrowings	-
Deferred tax liability	-
Current liabilities	(3)
Loans and borrowings	-
Trade and other payables	(3)
Net identifiable assets, liabilities and contingent liabilities	21
Group's share in net identifiable assets, liabilities and contingent liabilities	12
Goodwill on acquisition	12
Consideration paid	24
Cash acquired	(1)
Net cash outflow	23

It was not practicable to determine the carrying amounts of the subsidiaries' assets and liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiaries' financial statements were prepared in accordance with the local accounting principles, which are different from IFRSs.

Because the acquired subsidiaries did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenues and profit for the year 2006, had the acquisition dates coincided with the beginning of the year.

In allocating the cost of acquisition to the underlying assets, liabilities and contingent liabilities of the subsidiary, it was not possible to measure reliably the fair value of the contingency in relation to taxation – see note 31(c).

The goodwill of RUR 312 million/ USD* 12 million arose on the acquisition because the Group expects to benefit from the increasing demand for publications on interior design in Russia and the CIS.

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(b) Acquisition of OOO Helios Computer and Helios IT Operator

On 31 January 2006 the Group acquired 51% of the shares in OOO Helios Computer, registered in Russia, and 51% of the shares in Helios Operator Ltd., registered in British Virgin Islands. The purchase consideration was split into a fixed amount of RUR 41 million/ USD* 2 million and a variable amount, which depended on the financial performance of OOO Helios Computer for 2005 and 2006. The initial fixed cost of acquisition incurred in 2005 comprise RUR 41 million/ USD*2 million. Based on the financial performance of OOO Helios Computer for 2006, assessed in March 2007, the Group should make an additional payment for the shares in the amount of RUR 27 million/ USD* 1 million (refer note 27).

In 2005 the Group also provided to OOO Helios Computer a USD-denominated loan at 7.34% per annum in the amount of RUR 28 million/ USD* 1 million (refer note 16).

The impact of this acquisition was an increase in the Group's net profit for the year by RUR 7 million/ USD* 0.266 million.

The Group has identified customers' relationships as an intangible asset and assessed its fair value of RUR 16 million/*USD 1 million at the date of acquisition.

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

Mln RUR	**Recognised fair values on acquisition**
Non-current assets	18
Property, plant and equipment	2
Intangible assets (note 14)	16
Other non-current assets	-
Current assets	181
Inventories	117
Trade and other receivables	64
Cash and cash equivalents	-
Current liabilities	(181)
Loans and borrowings	(36)
Trade and other payables	(145)
Net identifiable assets, liabilities and contingent liabilities	18
Group's share in net identifiable assets, liabilities and contingent liabilities	9
Goodwill on acquisition	59
Total purchase consideration	68
Consideration payable as of 31 December 2006 (note 27)	(27)
Consideration recognized in 2005 (note 15)	(41)
Cash acquired	-
Net cash inflow in 2006	-

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Mln USD*	**Recognised fair values on acquisition**
Non-current assets	1
Property, plant and equipment	-
Intangible assets (note 14)	1
Other non-current assets	-
Current assets	7
Inventories	4
Trade and other receivables	2
Cash and cash equivalents	-
Current liabilities	(7)
Loans and borrowings	(1)
Trade and other payables	(6)
Net identifiable assets, liabilities and contingent liabilities	1
Group's share in net identifiable assets, liabilities and contingent liabilities	-
Goodwill on acquisition	2
Total purchase consideration	3
Consideration payable as of 31 December 2006 (note 27)	(1)
Consideration recognized in 2005 (note 15)	(2)
Cash acquired	-
Net cash inflow in 2006	-

It was not practicable to determine the carrying amounts of the subsidiaries' assets and liabilities on an IFRS basis immediately prior to the date of acquisition because the subsidiaries' financial statements were prepared in accordance with the local accounting principles, which are different from IFRSs.

If the acquisition had occurred on 1 January 2006, Group revenue for the year would have been RUR 5,643 million/ USD* 214 million (unaudited). Because the acquired subsidiaries did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated net profit for the year 2006, had the acquisition dates coincided with 1 January 2006.

In allocating the cost of acquisition to the underlying assets, liabilities and contingent liabilities of the subsidiary, it was not possible to measure reliably the fair value of the contingency in relation to taxation – see note 31(c).

The goodwill of RUR 59 million/ USD* 2 million arose on the acquisition because the Group expects to benefit from integration of the acquired business into activities of IT segment of the Group.

Subsequent to 31 December 2006 the Group disposed of both subsidiaries - OOO Helios Computer and Helios IT Operator - to OJSC Armada (note 34).

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(c) Disposal of OOO RBC Publishing

In December 2006 the Group disposed of its investment in OOO RBC Publishing for RUR 0.010 million/ USD* 0.00038 million. Before the disposal majority of assets and liabilities of OOO RBC Publishing were transferred to other subsidiaries of the Group. At the date of disposal the net identifiable assets of the Company at the date of disposal were RUR 0.098 million/ USD* 0.003 million.

(d) Incorporation of subsidiaries

Refer to the note 33 for the names of significant subsidiaries incorporated in 2006.

6 Revenue

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Revenue from sale of advertising services	3,291	2,188	125	83
Revenue from developed software	1,039	843	39	32
Revenue from sales of hardware and related services	1,053	-	41	-
Revenue from sales of magazines and newspapers	92	-	3	-
Commissions	22	16	1	-
Other revenues	115	103	4	4
	5,612	3,150	213	119

7 Other income

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Write-off accounts payable	7	-	-	-
Rental income	-	2	-	-
Penalties received	-	2	-	-
Other operating income	6	2	-	-
	13	6	-	-

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8 Administrative expenses

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Wages and salaries	(140)	(59)	(6)	(2)
Consulting and legal expenses	(35)	(21)	(1)	(1)
Communication	(34)	(18)	(1)	(1)
Rent	(52)	(19)	(2)	(1)
Taxes other than on profit	(14)	(7)	-	-
Maintenance of cars	(13)	(4)	(1)	-
Housing	(9)	(4)	-	-
Employee compensation under share option program (note 28(b))	(9)	-	-	-
Insuarance	(7)	(4)	-	-
Repair	(7)	(4)	-	-
Bank charges	(7)	-	-	-
Depository services	(2)	(1)	-	-
Rental of premises	(1)	-	-	-
Stationery	(2)	(2)	-	-
IT outsourced services	-	(2)	-	-
Other administrative expenses	(37)	(24)	(3)	(1)
	(369)	(169)	(14)	(6)

9 Other expenses

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Non-recoverable VAT written off	(16)	(5)	(1)	-
Provision for non-recoverable VAT (note 25)	(22)	-	(1)	-
Change in provision for bad debts	(9)	(9)	-	(1)
Bad debts written off	(6)	-	-	-
Loss on disposal of property, plant and equipment	(6)	(7)	-	-
Penalties	(2)	(2)	-	-
Discount on transfer of debt	-	(4)	-	-
Other expenses	(13)	(1)	(1)	-
	(74)	(28)	(3)	(1)

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10 Total personnel costs

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Wages and salaries	715	576	27	22
Contributions to State pension fund and other social charges	52	15	2	1
	767	591	29	23

The personnel costs for 2006 include employee compensation expense of RUR 9 million/ USD* 0.3 million accrued in accordance with the share option plan set up in July 2006 (refer note 28 (b)).

11 Financial income and expenses

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Net income from non-current other investments				
Net gain from investments in mutual funds	175	-	7	-
Net income from current other investments				
Interest income	44	36	2	2
Net gain on disposal of promissory notes held to maturity	19	6	1	-
Net gain from investments held for trading	228	104	9	4
	291	146	12	6
	466	146	19	6
Financial expenses				
Interest expense	(204)	(66)	(8)	(3)
Foreign exchange loss, net	(12)	(25)	-	(1)
Loss on disposal of investments at fair value through profit and loss	-	(4)	-	-
Other	-	(5)	-	-
	(216)	(100)	(8)	(4)

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12 Income tax (expense)/benefit

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Current tax (expense)/benefit				
Current year tax	(128)	(25)	(5)	(1)
Overprovided in prior years	-	22	-	1
Provision for income tax (note 25)	(28)	-	(1)	-
	(156)	(3)	(6)	-
Deferred tax expense				
Origination and reversal of temporary differences	(1)	27	-	1
	(157)	24	(6)	1

The Company's applicable tax rate is 24% (2005: 24%). The subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2005: 4.25%). For an entity located in Netherland Antilles the effective income tax rate applied in 2006 is 3%. The income earned by entities incorporated in British Virgin Islands and Hong Kong is not currently subject to income tax (note 31(c)).

Reconciliation of effective tax rate:

	2006 Mln RUR	%	2005 Mln RUR	%
Profit before income tax	1,196	100	575	100
Income tax at applicable tax rate	(287)	(24)	(138)	(24)
Income taxed at lower rates (note 31(c))	130	11	155	27
Non-deductible items	(18)	(1)	(15)	(3)
Non-taxable items	18	1	22	4
	(157)	(13)	24	4

	2006 Mln USD*	%	2005 Mln USD*	%
Profit before income tax	46	100	22	100
Income tax at applicable tax rate	(11)	(24)	(5)	(24)
Income taxed at lower rates (note 31(c))	5	11	6	27
Non-deductible items	-	(1)	(1)	(3)
Non-taxable items	-	1	1	4
	(6)	(13)	1	4

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13 Property, plant and equipment

Mln RUR	TV equipment	Computer equipment	Office equipment	Other assets	Construction in progress	Total
Cost						
At 1 January 2005	448	409	22	12	54	945
Additions	89	39	1	5	4	138
Disposals	(6)	(3)	-	(3)	(39)	(51)
Transfers	-	-	-	4	(4)	-
At 31 December 2005	531	445	23	18	15	1,032
Additions	20	86	20	10	116	252
Acquired through business combinations (note 5)	-	15	1	-	-	16
Disposals	(4)	(68)	(2)	(6)	(14)	(94)
Transfers	-	38	4	2	(44)	-
At 31 December 2006	547	516	46	24	73	1,206
Depreciation						
At 1 January 2005	(118)	(145)	(13)	(7)	-	(283)
Depreciation charge	(87)	(79)	(6)	(4)	-	(176)
Disposals	-	-	-	1	-	1
At 31 December 2005	(205)	(224)	(19)	(10)	-	(458)
Depreciation charge	(107)	(89)	(5)	(4)	-	(205)
Disposals	2	40	1	3	-	46
At 31 December 2006	(310)	(273)	(23)	(11)	-	(617)
Net book value						
At 1 January 2005	330	264	9	5	54	662
At 31 December 2005	326	221	4	8	15	574
At 31 December 2006	237	243	23	13	73	589

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Mln USD*	TV equipment	Computer equipment	Office equipment	Other assets	Construction in progress	Total
Cost						
At 1 January 2005	17	15	1	1	2	36
Additions	3	2	-	-	-	5
Disposals	-	-	-	-	(1)	(1)
Transfers	-	-	-	-	-	-
At 31 December 2005	20	17	1	1	1	40
Additions	1	3	1	-	4	9
Acquired through business combinations (note 5)	-	1	-	-	-	1
Disposals	-	(3)	-	-	(1)	(4)
Transfers	-	1	-	-	(1)	-
At 31 December 2006	21	19	2	1	3	46
Depreciation						
At 1 January 2005	(5)	(6)	(1)	-	-	(12)
Depreciation charge	(3)	(3)	-	-	-	(6)
Disposals	-	-	-	-	-	-
At 31 December 2005	(8)	(9)	(1)	-	-	(18)
Depreciation charge	(4)	(4)	-	-	-	(8)
Disposals	-	2	-	-	-	2
At 31 December 2006	(12)	(11)	(1)	-	-	(24)
Net book value						
At 1 January 2005	12	9	-	1	2	24
At 31 December 2005	12	8	-	1	1	22
At 31 December 2006	9	8	1	1	3	22

(a) Depreciation

During the year, depreciation of RUR 7 million/*USD 0.262 million (2005: RUR 15 million/*USD 0.570 million) was capitalized as a part of web-site and development costs and work in progress.

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14 Intangible assets

Mln RUR	Trademarks	Software	Web-sites	Capitalised development costs	Brands	Prepay-ments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2005	51	105	189	238	-	-	-	-	-	37	620
Additions		66	28	34	375	3	-	-	-	8	514
At 31 December 2005	51	171	217	272	375	3		-	-	45	1,134
Additions	39	47	29	32	106	178	32	-	-	-	463
Acquired through business combinations (note 5)	338	-	-	-	-		-	371	155	-	864
Transfers	-	-	-	-	3	(3)	-	-	-	-	-
At 31 December 2006	428	218	246	304	484	178	32	371	155	45	2,461
Amortisation											
At 1 January 2005	(5)	(12)	(110)	(150)	-	-	-	-	-	(11)	(288)
Amortisation charge	(7)	(33)	(41)	(62)	(3)		-	-	-	(16)	(162)
At 31 December 2005	(12)	(45)	(151)	(212)	(3)	-	-	-	-	(27)	(450)
Amortisation charge	(8)	(59)	(35)	(42)	(38)	-	-	-	(10)	(16)	(208)
At 31 December 2006	(20)	(104)	(186)	(254)	(41)	-	-	-	(10)	(43)	(658)
Net book value											
At 1 January 2005	46	93	79	88	-	-	-	-	-	26	332
At 31 December 2005	39	126	66	60	372	3	-	-	-	18	684
At 31 December 2006	408	114	60	50	443	178	32	371	145	2	1,803

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Mln USD*	Trademarks	Software	Web-sites	Capitalised development costs	Brands	Prepay-ments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2005	2	4	7	9	-	-	-	-	-	2	24
Additions	-	3	1	1	14	-	-	-	-	-	19
At 31 December 2005	2	7	8	10	14	-	-	-	-	2	43
Additions	1	2	1	1	4	7	1	-	-	-	17
Acquired through business combinations (note 5)	13	-	-	-	-	-	-	14	6	-	33
Transfers	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2006	16	9	9	11	18	7	1	14	6	2	93
Amortisation											
At 1 January 2005	-	(1)	(4)	(6)	-	-	-	-	-	-	(11)
Amortisation charge	-	(1)	(2)	(2)	-	-	-	-	-	(1)	(6)
At 31 December 2005	-	(2)	(6)	(8)	-	-	-	-	-	(1)	(17)
Amortisation charge	(1)	(2)	(1)	(1)	(1)	-	-	-	-	(1)	(7)
At 31 December 2006	(1)	(4)	(7)	(9)	(1)	-	-	-	-	(2)	(24)
Net book value											
At 1 January 2005	2	3	3	3	-	-	-	-	-	2	13
At 31 December 2005	2	5	2	2	14	-	-	-	-	1	26
At 31 December 2006	15	5	2	2	17	7	1	14	6	-	69

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

(a) Acquisition of internet resources

In 2006 the Group acquired exclusive rights to operate several web-sites for RUR 120 million/ USD* 5 million. The purchase price was allocated among software and brands which comprised the exclusive rights to operate the domain name and audience loyalty. The purchase price cost allocation was made based on the assessment of their fair relative values.

(b) Acquisition of a trademark

In December 2006 the Group acquired exclusive rights to conduct a competition named "Narodnaya Marka" for RUR 39 million/ USD* 1 million. The trademark is amortised over 7 years.

(c) Prepayments and cable network connections

In 2006 the Group paid RUR 210 million/*USD 8 million to a provider of cable network connection in Moscow. As at 31 December 2006 the provider has completed installation works for RUR 32 million/ USD* 1 million which have been recognized as cable network connections. The residual prepayment made in 2006 of RUR 178 million/USD* 7 million is reported within intangible assets and will be transferred to the cable network connections category once the installation works are completed.

(d) Amortisation charge

The amortisation charge for the year is included in "cost of sales".

(e) Impairment testing of goodwill and intangible assets with indefinite useful life

The Group has the following intangible assets with indefinite useful lifes: goodwill of RUR 371 million/ USD* 14 million (2005: nil) and trademarks of RUR 322 million/ USD* 12 million (2005: nil).

For the purposes of impairment testing, goodwill of RUR 312 million/ USD*12 million and trademarks of RUR 322 million/ USD* 12 million are allocated to EDI S Press group and goodwill of RUR 59 million/ USD* 2 million is allocated to OOO Helios Computer (refer notes 5(a) and 5(b)). These units represent the lowest level within the Group at which the intangible assets are monitored for internal management purposes.

The recoverable amount of each unit represents value in use as determined by discounting the future cash flows generated from their continuing operations.

EDI S Press

The impairment review of goodwill on acquisition of EDI S Press Group on 30 June 2006 and its intangible assets with indefinite useful life (trademarks "Idei Vashego Doma" and "Salon-Interier" – refer note 5(a)) was performed with the assistance of independent valuers American Apprasals. There have been no significant changes in assumptions used in the impairment review on the balance sheet date.

The following key assumptions have been used:

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- The discounted cash flow analysis was prepared for EDI S Press Group as a single cash-generating unit;
- Annual sale quantities of magazines “Idei Vashego Doma” and “Salon-Interier” have been assumed stable in 2006-2010, while for “Interier-Magazin” a 4% per year decline was assumed;
- Selling prices were projected to grow in line with inflation (9% in 2007, 5% in 2008, 4% in 2009 and 3% in 2010 and thereafter);
- Advertising revenue per issue sold was projected to grow in line with Russian magazine advertising market (14% growth in 2007 and in 2008, 7% growth in 2009, 8% growth in 2010, and 3% growth per year thereafter);
- A discount rate of 15.5% on an after tax basis was applied in discounting cash flows for all appraised intangible assets. The discount rate used was based on the Company’s weighted average cost of capital.

The values assigned to the key assumptions represent management’s assessment of future trands in the business and are based on both external sources and internal sources.

The estimated net discounted cash flows indicate no impairment of goodwill or intangible assets of EDI S Press Group as at 30 June 2006 and 31 December 2006.

OOO Helios Computer

The following key assumptions have been used to perform an impairment review of goodwill arised on acquisition of OOO Helios Computer:

- Cash flows were projected based on actual operating results and a five-year business plan;
- Historical revenue from long-term client relationships existing as at date of acquisition was taken as the basis for forecasted revenue. The anticipated growth was projected in line with the hardware market growth rate (10%, 18%, 15% and 13% per year for the years 2007 to 2010, respectively), and in line with IT services growth rate (33%, 17%, 17% and 27% per year, for the years 2007 to 2010, respectively);
- A discount rate of 14.7% on an after tax basis was applied in discounting cash flows for all appraised intangible assets. The discount rate was estimated based on the Company’s weighted average cost of capital.

The values assigned to the key assumptions represent management’s assessment of future trends in the business and are based on both external sources and internal sources.

The estimated net discounted cash flows indicate no impairment of goodwill or intangible assets of OOO Helios Computer as at 31 December 2006.

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15 Prepayment for acquisition of subsidiary

In 2006 the Group prepaid RUR 354 million/USD* 13 million for 75% shares in a new subsidiary which owns certain internet resources. The shares have not been transferred to the Group as at 31 December 2006, and will be transferred to the ownership of the Group after the Group completes the due diligence.

The Group has committed to acquire further 25% shares of the Company for not less than RUR 123 million/USD* 5 million at an acquisition date agreed between the seller and the Group within one year upon transfer of ownership of the above 75% to the Group. The exact purchase price for the 25% shares will be determined based on the daily number of visits to the internet resources prior to this acquisition date. The Group has also committed to lend RUR 263 million/USD* 10 million to this subsidiary, and to render free advertising services to the subsidiary at the value of not less than RUR 132 million/USD* 5 million.

As of 31 December 2005, the balance of RUR 41 million/USD* 2 million represented a prepayment for 60% share in Helios (refer note 5(b)).

16 Loans

	2006	**2005**	**2006**	**2005**
	Mln RUR	**Mln RUR**	**Mln USD***	**Mln USD***
Non-current				
Loans granted to a related party in 2004, maturing in 2010, at 6% effective interest rate	-	5	-	-
Loan granted to a related party in 2005, maturing in 2007, at 7.34% effective interest rate	-	28	-	1
	-	33	-	1
Current				
Loans granted to third party, at 5% effective interest rate	-	15	-	1
Loans granted to third party, at 3% effective interest rate	70	-	2	-
Loans granted to executive directors, at 8.7%-9.75% effective interest rate	20	12	1	-
Loans granted to third parties, at 6% effective interest rate	14	-	1	-
	104	27	4	1

The non-current loan of RUR 28 million /USD* 1 million as at 31 December 2005 was granted to OOO Helios Computer. As of 31 January 2006 OOO Helios Computer became a subsidiary of the Group and the outstanding balance of the loan was eliminated on consolidation (notes 3(a)(ii) and 5).

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17 Other assets

Other assets include contracts for the acquisition of property in the amount of RUR 28 million/ USD* 1 million (2005: RUR 38 million/USD* 1 million) for construction of apartments in residential buildings in Moscow and Moscow region and are stated at cost. The Group management assessed their fair values as at 31 December 2006 to be RUR 70 million /USD *2 million. The fair values have been determined by reference to market prices. During 2006 2 contracts with a total cost of RUR 12 million/USD * 0.456 million were sold to third parties.

18 Other investments

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Non-current				
Investments designated at fair value through profit and loss	432	46	16	2
	432	46	16	2
Current				
Trading investments	30	18	1	1
Bank promissory notes held to maturity	257	238	10	9
	287	256	11	10
	719	302	27	12

Non-current investments designated at fair value through profit and loss include investments in mutual funds. The Group does not intend to dispose of its investments in the mutual funds earlier than 31 December 2007.

Trading investments include shares and promissory notes of Russian companies which are traded on the RTS and Moscow Stock Exchange. The investments are mostly acquired by brokers under trust agreements.

The investments designated at fair value through profit and loss and trading investments are stated at fair value.

The bank promissory notes were redeemed in 1st quarter of 2007.

19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

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Mln RUR	**Assets**		**Liabilities**		**Net**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Property, plant and equipment	2	6	(49)	(61)	(47)	(55)
Intangible assets	-	-	(39)	(42)	(39)	(42)
Investments	-	-	(4)	(1)	(4)	(1)
Inventories	1	-	-	-	1	-
Trade and other receivables	3	-	-	(13)	3	(13)
Prepaid expenses	1	13	(1)	(3)	-	10
Tax loss carry-forwards	-	16	-	-	-	16
Tax assets/(liabilities)	7	35	(93)	(120)	(86)	(85)

Tax loss carry-forward of RUR 16 million/ *USD 0.590 million as of 31 December 2005 related to operations of OOO RBC Publishing. In 2006 the Group disposed of this subsidiary (note 5(c)).

Mln USD*	**Assets**		**Liabilities**		**Net**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Property, plant and equipment	-	-	(2)	(2)	(2)	(2)
Intangible assets	-	-	(1)	(1)	(1)	(1)
Investments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Trade and other receivables	-	-	-	(1)	-	(1)
Prepaid expenses	-	-	-	-	-	-
Tax loss carry-forwards	-	1	-	-	-	1
Net tax assets/(liabilities)	-	1	(3)	(4)	(3)	(3)

(b) Movement in temporary differences during the year

Mln RUR	**1 January 2005**	**Recognised in income**	**31 December 2005**
Property, plant and equipment	(70)	15	(55)
Intangible assets	(39)	(3)	(42)
Investments	-	(1)	(1)
Trade and other receivables	1	(14)	(13)
Loans and borrowings	(5)	5	-
Trade and other payables	1	(1)	-
Prepaid expenses	-	10	10
Tax value of loss carry-forwards recognised	-	16	16
	(112)	27	(85)

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Mln RUR	**1 January 2006**	**Recognised in income**	**31 December 2006**
Property, plant and equipment	(55)	8	(47)
Intangible assets	(42)	3	(39)
Investments	(1)	(3)	(4)
Inventories	-	1	1
Trade and other receivables	(13)	16	3
Prepaid expenses	10	(10)	-
Tax value of loss carry-forwards recognised	16	(16)	-
	(85)	(1)	(86)

Mln USD*	**1 January 2005**	**Recognised in income**	**31 December 2005**
Property, plant and equipment	(3)	1	(2)
Intangible assets	(1)	-	(1)
Investments	-	-	-
Trade and other receivables	-	(1)	(1)
Loans and borrowings	-	-	-
Trade and other payables	-	-	-
Prepaid expenses	-	-	-
Tax value of loss carry-forwards recognised	-	1	1
	(4)	1	(3)

Mln USD*	**1 January 2006**	**Recognised in income**	**31 December 2006**
Property, plant and equipment	(2)	-	(2)
Intangible assets	(1)	-	(1)
Investments	-	-	-
Inventories	-	-	-
Trade and other receivables	(1)	1	-
Prepaid expenses	-	-	-
Tax value of loss carry-forwards recognised	1	(1)	-
	(3)	-	(3)

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

(c) Unrecognised deferred tax liability

At 31 December 2006 a deferred tax liability for temporary differences of RUR 3,151 million/ USD* 120 million (2005: RUR 1,239 million/ USD* 47 million) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the differences, and reversal is not expected in the foreseeable future. If the temporary difference were reversed in a form of distributions remitted to the Company, then an enacted tax rate of 9% per cent would apply. If the temporary difference were reversed in a disposal of the subsidiaries, then a tax rate of 24% per cent would apply.

20 Inventories

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Raw materials and consumables	47	8	2	-
Work in progress	8	-	-	-
Goods for resale	33	12	1	1
Finished goods	-	-	-	-
	88	20	3	1

As of 31 December 2006 the Group pledged inventories of RUR 29 million/*USD 1 million (2005: nil) to obtain the bank guarantee.

In 2006 the Group wrote off inventories of RUR 9 million/ USD* 0.3 million (2005: nil).

21 Trade and other receivables

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Trade accounts receivable	895	478	34	18
Other prepayments	56	173	2	6
VAT receivable	17	49	1	2
Deffered expenses	7	17	-	1
Interest receivable	4	15	-	1
Finance lease receivable	1	2	-	-
Other receivables	67	93	3	3
	1,047	827	40	31
Provision for doubtful debts	(18)	(9)	(1)	-
	1,029	818	39	31

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

Other receivables of RUR 93 million/USD* 3 million as of 31 December 2005 included cash balances of RUR 75 million/USD* 3 million frozen in a Russian bank due to withdrawal of its license. In 2006 the balance due was repaid to the Group in full.

Other receivables as of 31 December 2006 of RUR 66 million/ USD* 3 million include receivables of RUR 47 million/ USD* 2 million from a broker for investments held for trading sold by the Group.

22 Cash and cash equivalents

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Cash at bank and in hand	1,033	918	40	35
Deposits	868	58	33	2
Cash held by brokers	1,587	392	60	15
Cash and cash equivalents in the statement of cash flows	3,488	1,368	133	52

Cash held by brokers represents cash expected to be used for the purchase of traded securities. This cash can be received by the Group with 10 days' notification.

23 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	Ordinary shares 2006	Ordinary shares 2005
Authorised shares	119,260,000	115,000,000
Par value	RUR 0.001	RUR 0.001
On issue at beginning of year	115,000,000	115,000,000
Issued for cash	4,260,000	-
On issue at end of year, fully paid	119,260,000	115,000,000

(b) Additional share issue

In 2006 the Company issued 4,260,000 additional ordinary shares at a par value of RUR 0.001 for RUR 660 million/USD* 25 million in cash, including RUR 116 million/ USD* 4 million received by the Group in 2005 (note 26).

(c) Treasury shares

At the balance sheet date the Group held 4,793,000 (2005: 580,800) of its own shares.

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(d) Dividends

In accordance with Russian legislation the Parent Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Parent Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2006 the Company had cumulative retained earnings, including the profit for the current year, of RUR 57 million/ USD* 2 million.

(e) ADR issue

The Company established a Level-1ADR program (ticker symbol: RINFY, CISIP number: 75523Q102) for its common stock on 24 March 2005 through Bank of New York. One ADR represents four ordinary shares of the Company. ADR are tradable on the OTC market. The main goal of the issue was to enable international retail and institutional investors to participate in the share capital of the Company. As of 31 December 2006, 13,419,840 of the Company's shares were reserved for ADR in depositary by Bank of New York.

24 Loans and borrowings

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Non-current				
Credit linked notes **(a)**	2,630	-	100	-
Secured bank loan **(b)**	-	161	-	6
Unsecured bank loan **(c)**	4	144	-	5
	2,634	305	100	11
Current				
Unsecured bank loan **(c)**	137	-	5	-
Unsecured borrowings **(d)**	158	-	6	-
Unsecured bond issue **(e)**	-	175	-	7
	295	175	11	7

(a) Credit linked notes

In June 2006 RBC Investments Limited, registered in Cyprus, obtained a 9.5% fixed rate loan from Dresdner Bank AG of USD 100 million through an issue of credit linked notes (CLNs). The loan is repayable in June 2009 or, if the lender gives notice, in June 2008. The Group incurred a transaction fee of USD 1 million in June 2006. The Company and its subsidiary, ZAO RBC-TV, guaranteed repayment of the loan.

The CLNs have a maturity of 3 years and a fixed coupon rate of 9.5% per year payable each six months. The notes provide for a put option in 2 years at par and a call option at 103% of the par value from the issue date to 31 December 2006, 102.5% during the year 2007, 101.5% from 1 January 2008 to 7 June 2008 and at par from 7 June 2008 onwards.

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The loan and the CLNs are subject to certain financial covenant restrictions and conditions. In the event a covenant is breached, the loan becomes repayable on demand.

An additional loan for the amount of USD 50 million may be made available to the Group by Dresdner Bank subject to the request of the Group, but not later than on 15 December 2008.

(b) Non-current secured bank loan

The secured bank loan of RUR 161 million/USD* 6 million payable to KB Moskommerzbank as of 31 December 2005 was repaid in full during 2006, in advance to its contractual maturity in 2009. The bank loan was denominated in USD and had effective interest rate of 13.25%. Consequently, the TV equipment of RUR 98 million/USD* 4 million pledged by the Group as security for the bank loan as at 31 December 2005, and 3,661,774 shares of the Company, pledged by executive directors as security for the loan as at 31 December 2005, were released from pledge in 2006.

(c) Unsecured bank loan

The unsecured USD-denominated bank loan of RUR 137 million/ *USD 5 million was received from ABN-Amro Bank at a floating interest rate of LIBOR + 5%, maturing in 2007.

(d) Unsecured current borrowings

The unsecured current borrowings include a RUR-denominated loan of RUR 141 million/ *USD 5 million received from a related party (note 32(c)), at a fixed interest rate of 7.2% per year, maturing in 2007.

(e) Unsecured bond issue

In February 2003, the Group issued long term 15.25% bonds with a par value of USD 6 million and a maturity date of February 2006. The bonds had an effective interest rate of 19.25%. Subscribers to the bonds received a warrant to acquire 10,000 shares in RBC Information Systems for every bond held exercisable at any time after a 12-month period from issue of the bonds. The warrant exercise price was nil. Following their issue, the warrants were detachable from the bonds. In February 2006 the Group settled the bonds and warrants in full.

25 Provisions

In 2006 Russian tax authorities challenged the economic justification for certain transactions of the Group with some suppliers in one month of 2005, and claimed additional tax payments for this period. The Group has recognized a provision for tax payments, which additionally could be required to be made to the Russian budget in relation to such suppliers for all preceding periods open for the tax review as stated below:

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	2006 Mln RUR	2006 Mln USD*
VAT	17	1
Late-payment interest and penalties related to VAT	5	-
Income tax	22	1
Late-payment interest and penalties related to income tax	6	-
	50	2

26 Earnings per share

The calculation of basic earnings per share as at 31 December 2006 was based no the net profit for the year and the weighted average number of ordinary shares outstanding during the year calculated as follows:

In thousands of shares	2006	2005
Issued shares at 1 January	115,000	115,000
Effect of own shares held	(581)	(150)
Effects of warrants exercised in January	110	-
Effects of warrants exercised in February	-	28
Effects of own shares acquired in March	(2,925)	-
Effect of shares issued in April	3,373	-
Effects of shares acquired in April	(578)	-
Effects of shares acquired in July	(50)	-
Effect of shares acquired in November	-	(161)
Weighted average number of shares for the year	114,349	114,717

The Group has dilutive potential ordinary shares in the form of the share options (note 28).

The weighted average number of ordinary shares including dilutive potential ordinary shares outstanding during 2006 was determined as follows:

In thousands of shares	2006	2005
Weighted average number of shares	114,349	114,717
Effect of dilutive potential ordinary shares to be issued under share option program of July 2002	3,673	3,623
Effect of dilutive potential ordinary shares to be issued under share option program of July 2006	1,051	-
Weighted average number of shares for the year	119,073	118,340

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27 Trade and other payables

	2006 Mln RUR	2005 Mln RUR	2006 Mln USD*	2005 Mln USD*
Trade accounts payable	832	218	32	8
Advances received	147	61	6	3
Payable for the acquired shares in a subsidiary (note 5(b))	27	-	1	
Advances received for additional shares issue (note 23(b))	-	116	-	4
Other taxes payable	20	1	-	-
Other payables and accrued expenses	50	179	2	7
	1,076	575	41	22

Other payables and accrued expenses of RUR 179 million/ USD* 7 million as at 31 December 2005 included accounts payable of RUR 135 million/ USD* 5 million for the internet resources acquired in 2005 (note 14).

28 Share-based payments

(a) A share option program set up in 2002

In July 2002 the compensation committee of the Group set up an option program for the members of the Board of Directors and senior management.

Under this program within a 3-year period the members of the Board of Directors subject to their service had an option to purchase a maximum of 3,250,000 shares for 130% of the USD 0.83 share price at which the Company's ordinary shares were initially offered to the public in April 2002.

In addition, under this program senior managers have right to receive 1,260,000 shares subject to their 3-year period of service with the Group. The share options granted to the senior managers are exercisable for no consideration.

As at 31 December 2006 the market quote of the shares was RUR 294/ USD* 11.17 per share (31 December 2005: RUR 198/ USD* 7.53 per share).

In 2005 the compensation committee approved the final number of shares to be granted to each participant in the program based on their service period: 2,750,000 shares to the Board of Directors and 1,260,000 shares to the senior managers. By the date when these consolidated financial statements were authorized for issuance the share options had not been exercized. The Group has accumulated treasury shares sufficient to exercise the share options (note 26).

(b) A share option program set up in 2006

In July 2006 the compensation committee of the Group set up a second option program for the members of the Board of Directors and a top manager.

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Under this program within a 3-year period the Board of Directors members, subject to their presence in the Company's Board of Directors during the service period, have an option to purchase a maximum of 2,500,000 shares for USD 10.5 share price, which is 150% of the market price of the Company's shares on the date of the compensation committee's decision.

The participants in the program, at their discretion, have a right to exercise 1/3 of the share options between 30 June 2007 and 30 September 2009; 2/3 of the share options between 30 June 2008 and 30 September 2009; or all of their share options between 30 June 2009 and 30 September 2009.

If a participant in the program ceases to be a Board of Directors member any time during the 3-year period, he is entitled to 1/3 of the maximum share options for one year of service and to 2/3 of the maximum share options for two years of service.

The program participants cannot claim to be paid a difference between the market price of shares and the share price of the share options.

In 2006 the Group recognised employee compensation expense of RUR 9 million/ USD*0.3 million, determined as follows:

- The Group has considered the program to constitute 3 separate share option arrangements with one-, two- and three-year vesting periods.
- The Group determined fair values of the 3 share options at the grant date as RUR 6.45/ USD*0.24, RUR 24.58/ USD*0.93 and RUR 25.20/ USD*0.96 for the one-, two- and three-year vesting periods, respectively.
- The fair values of share options have been determined using Black-Scholes option pricing model, on the following assumptions: Interest risk free-rate - 5%, Dividend yield – 0 and volatility of 34.3%, 46.7% and 62.4% for the one-, two- and three-year vesting periods, respectively.

None of the share option program participants had selected to exercise his share options by the date when these consolidated financial statements were authorized for issuance.

In August 2007, the Group has reduced the exercise price of this share option program from USD 10.5 per share to USD 9.2 per share to recognize the effect of the disposal of the IT business (note 34(a)).

(c) Other share option programs

As at 31 December 2006 the Group did not have a share option program for middle management.

In August 2007, the Group approved a motivation program for middle management and key employees of the Group media departments until the end of 2009. To fund this program, RBC intends to use 1,000,000 treasury shares which were purchased by the Group earlier.

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29 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

The Group does not require collateral in respect of financial assets. The Group works with a majority of its customers on prepayment terms. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings, management uses its judgement to decide whether it believes that a fixed or variable rate would be more appropriate to the Group over the expected period to maturity.

In respect of variable interest-bearing assets and financial liabilities, the following table indicates their average effective interest rates at the reporting date and the periods in which they re-price:

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2006 Mln RUR	**Note**	**Contractual interest rate**	**Effective interest rate**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Fixed interest rate instruments											
Loan granted to a third party	16	3.0%	3.0%	-	70	-	-	-	-	-	70
Loan granted to executive directors	16	8.7% - 9.75%	8.7% - 9.75%	-	20	-	-	-	-	-	20
Loan granted to a third party	16	6.0%	6.0%	-	14	-	-	-	-	-	14
Bank promissory notes	18	2.4% - 5.0%	2.4%- 5.0%	257	-	-	-	-	-	-	257
Credit linked notes	24	9.5%	9.6%	-	-	(2,630)	-	-	-	-	(2,630)
Unsecured bank loan	24	6.0%	6.0%	-	-	(4)	-	-	-	-	(4)
Unsecured borrowings from a related party	24	7.2%	7.2%	-	(158)	-	-	-	-	-	(158)
Floating interest rate instruments											
Unsecured bank loan	24	LIBOR + 5%	LIBOR + 5%	(137)	-	-	-	-	-	-	(137)

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

2006 Mln USD*	Note	Contractual interest rate	Effective interest rate	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs	Total
Fixed interest rate instruments											
Loan granted to a third party	16	3.0%	3.0%	-	2	-	-	-	-	-	2
Loan granted to executive directors	16	8.7% - 9.75%	8.7% - 9.75%	-	1	-	-	-	-	-	1
Loan granted to a third party	16	6.0%	6.0%	-	1	-	-	-	-	-	1
Bank promissory notes	18	2.4% - 5.0%	2.4%- 5.0%	10	-	-	-	-	-	-	10
Credit linked notes	24	9.5%	9.6%	-	-	-	(100)	-	-	-	(100)
Unsecured bank loan	24	6.0%	6.0%	-	-	-	-	-	-	-	-
Unsecured borrowings from a related party	24	7.2%	7.2%	-	(6)	-	-	-	-	-	(6)
Floating interest rate instruments											
Unsecured bank loan	24	LIBOR + 5%	LIBOR + 5%	(5)	-	-	-	-	-	-	(5)

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements – refer note 2(d).*

2005 Mln RUR	Note	Contractual interest rate	Effective interest rate	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs	Total
Fixed interest rate instruments											
Loan granted to a related party	16	6%	6%	-	-	-	-	-	5	-	5
Loan granted to a related party	16	7.34%	7.34%	-	-	28	-	-	-	-	28
Bank promissory notes	18	3.5%	3.5%	238	-	-	-	-	-	-	238
Secured bank loan	24	13.25%	13.25%	-	-	-	-	(161)	-	-	(161)
Unsecured bond issue	24	15.25%	15.25%	(175)	-	-	-	-	-	-	(175)
Floating interest rate instruments											
Unsecured bank loan	24	LIBOR + 5%	LIBOR + 5%	-	-	(144)	-	-	-	-	(144)

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2005 Mln USD*	**Note**	**Contractual interest rate**	**Effective interest rate**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Fixed interest rate instruments											
Loan granted to a related party	16	6%	6%	-	-	-	-	-	-	-	-
Loan granted to a related party	16	7.34%	7.34%	-	-	1	-	-	-	-	1
Bank promissory notes	18	3.5%	3.5%	9	-	-	-	-	-	-	9
Secured bank loan	24	13.25%	13.25%	-	-	-	-	(6)	-	-	(6)
Unsecured bond issue	24	15.25%	15.25%	(7)	-	-	-	-	-	-	(7)
Floating interest rate instruments											
Unsecured bank loan	24	LIBOR + 5%	LIBOR + 5%	-	-	(5)	-	-	-	-	(5)

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(c) Foreign currency risk

The Group incurs foreign currency risk primarily on borrowings and bank deposits denominated in a currency other than the functional currencies of the respective Group entities. as at 31 December 2006 the balances of USD-denominated loans and borrowings of Russian Group entities amount to RUR 137 million/ USD*5 million (2005: RUR 476 million/USD* 818 million) and Euro-denominated cash and cash equivalents of RBC Investments Limited (Cyprus) and RBC International (Hong Kong) amount to RUR 567 million/ USD*22 million (2005: RUR 271 million/ USD*10 million).

Management does not hedge the Group's exposure to foreign currency risk.

(d) Fair values

The Group estimates the fair value of its financial assets and liabilities to not be materially different from their current values. The estimate of fair value is intended to approximate the amount at which the instruments could be exchanged in a current transaction between willing parties, and is subject to management judgment and economic uncertainties.

In assessing fair values, management used the following major methods and assumptions:

Quoted securities. Quoted market prices at the balance sheet date without any deduction for transaction costs.

Trade and other receivables and payables. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material. As at 31 December 2006 the Group did not has trade and other receivables and payables with a maturity of over six months.

30 Commitments

(a) Commitment to acquire shares and to provide borrowings and free advertising

The Group has entered into a contract to purchase 25% shares in a company which owns certain internet resources for not less than RUR 123 million/USD* 5 million. As at 31 December 2006 the Group has already prepaid RUR 354 million/USD*13 million for 75% shares in this company (refer note 15). The exact purchase price for the 25% shares should be determined based on the daily number of visits to the internet resources prior to the date of acquisition of the shares. The Group has also committed to lend RUR 263 million/USD* 10 million to the subsidiary, and to render free advertising services to the subsidiary at the value of not less than RUR 132 million/USD* 5 million (note 15).

(b) Commitment to pay for cable network connections

In 2006 the Group entered in an agreement with a provider of cable network connections in Moscow. The total value of the agreement is RUR 405 million/ USD* 15 million. As at 31 December 2006 the Group made payments of RUR 210 million/ USD*8 million (note 14 (c)).

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31 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is involved in various claims and legal proceedings arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition.

In 2006 the Group has successfully defended itself in a lawsuit relating to an alleged breach of the authors rights by the Group. The lawsuit has been initiated in 2005 by ZAO "Business News Media" and OOO "Baltic News Media" with an assessed damage of RUR 285 million/ USD* 10.8 million.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group transacts in the normal course of business with a variety of suppliers and intermediaries in which it does not hold any direct or indirect equity interest. The methods used by these entities to reduce taxes may be challenged by the tax authorities in Russia as they may view these methods as not being fully in compliance with the applicable tax legislation. As a consequence of the tax authorities' practice, this may result in additional tax risks for the Group. Should these intermediaries be successfully challenged, the Group may become liable to additional tax payments, although management of these entities is primarily responsible for the correctness and timeliness of the entities' tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of the potential tax liabilities, which ultimately could be imposed on the Group as a result of transactions with such entities. However, if such liabilities were imposed,

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the amounts involved, including penalties and interest, could be material. At the same time, the Group has estimated and recognised in these consolidated financial statements a provision for additional taxes and penalties, relating to certain suppliers (refer note 25).

The Group has a number of foreign subsidiaries. By structuring its operations through revenue and expense allocation arrangements among Group companies in different jurisdictions, the Group's income tax liabilities are reduced (refer note 12). Such arrangements may be challenged by the tax authorities of the Russian Federation. Should such challenge be successful, this would result in the income of some or all of the Group's foreign subsidiaries being taxed in Russia. Management believes that it is not practicable to estimate the financial effect of such potential tax liabilities, in respect of current and previous years, which ultimately could be imposed on the Group. However, if such liabilities were imposed, the amounts involved could be material.

The Group uses various remuneration plans for employees' compensation. Some of these may be challenged by the tax authorities of the Russian Federation for consistency with applicable tax legislation. Should such challenge be successful, additional payments of unified social tax may be assessed on the Group. Management believes that it is not practicable to estimate the financial effect of such potential tax liabilities, in respect of current and previous years, which ultimately could be imposed on the Group. However, if such liabilities were imposed, the amounts involved could be material.

A Group subsidiary, RBC International Limited, registered in Hong Kong, has submitted a profits tax return for the year ended 31 December 2005 with an offshore claim, which claimed an offshore exemption from profits tax for 2005. The subsidiary has not yet received from the Hong Kong tax authorities an approval of its offshore claim. Should the tax authorities decline the offshore claim, Hong Kong profits tax in the total amount of RUR 71 million/ USD* 3 million may be assessed for 2005 and 2006. The subsidiary has not yet submitted its profits tax return for the year ended 31 December 2006, and will be subject to a late submission penalty of RUR 11 thousand/ USD* 0.5 thousand. Management believes that the subsidiary's profits for both years will be regarded as offshore and not chargeable to Hong Kong profits tax. No provision for Hong Kong profits tax liabilities has been made in these consolidated financial statements.

If the matters described above were successfully challenged by the Russian tax authorities, additional tax payments could become due together with penalties, ranging from 20% - 40% of the amount of underpaid taxes, and late-payment interest. Management has not provided any amounts in respect of such obligations in these consolidated financial statements, except for the provisions in note 25, as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

32 Related party transactions

(a) Control relationships

The Group has a controlling relationship with all of its subsidiaries (see note 33 for a list of significant subsidiaries).

Three top managers of the Group, German Kaplun, Alexander Morgilchik, Dmitry Belik, being major shareholders, have the power to direct transactions of the Group at their own discretion and for their own benfit. They also have a number of other business interests outside the Group.

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(b) Transactions with management and close family members

(i) Management remuneration

During the year key management received the remuneration in the form of salaries and bonuses in amount of RUR 25 million/USD* 1 million (2005: RUR 10 million/USD*0.380 million) which are included in personnel costs (see note 10). Additionally, in 2006 there were option programs in place to remunerate key management (see note 28).

(ii) Other transactions

The Group has current loans granted to executive directors of RUR 20 million/USD* 1 million (2005: 12 million/USD* 0.456 million). A non-current loan granted to a non-executive director of RUR 5 million/ USD* 0.190 million was repaid to the Group in 2006 (note 16).

As at 31 December 2005 executive directors have pledged 3,661,774 shares of the Company owned by them as security for a non-current bank loan of the Group (note 24(b)). As the loan was repaid in 2006, the shares have been released from pledge.

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below. All of them are with companies controlled by members of the Company's Board of Directors.

Mln RUR	Transaction value 2006	Outstanding balance 2006	Transaction value 2005	Outstanding balance 2005
Advertising services provided	24	-	239	12
Programming services provided	-	-	4	-
Loans granted (note 16)	6	20	29	45
Software development services received	72	28	61	40
Advertising services received	120	-	213	-
Loan received (note 24(d))	150	141	-	-
Lease receivable, non-current	-	7	-	10
Lease receivable, current	-	1	-	2

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Mln USD*	Transaction value 2006	Outstanding balance 2006	Transaction value 2005	Outstanding balance 2005
Advertising services provided	1	-	9	-
Programming services provided	-	-	-	-
Loans granted (note 16)	-	1	1	2
Software development services received	3	1	2	2
Advertising services received	5	-	8	-
Loan received (note 24(d))	6	5	-	-
Lease receivable, non-current	-	-	-	-
Lease receivable, current	-	-	-	-

(d) Pricing policies

Prices for related party transactions are determined by the Group on an ongoing basis.

33 Significant subsidiaries

	Country of incorporation	Ownership/voting 2006	Ownership/voting 2005
ZAO RosBusinessConsulting	Russia	100%	100%
OOO RBC-Publishing (note 5(c))	Russia	-	100%
RBC Investments (Cyprus) Limited	Cyprus	100%	100%
ZAO RBC Soft	Russia	100%	100%
OOO RBC Center	Russia	100%	100%
OOO RBC Reklama	Russia	100%	100%
ZAO RBC-TV	Russia	100%	100%
ZAO RBC Holding	Russia	100%	100%
OOO SMTP Press	Russia	100%	100%
OOO IPK Media Production	Russia	100%	100%
OOO Media Mir	Russia	100%	100%
OOO Business Press	Russia	100%	100%
OOO Helios Computer (note 5(b))	Russia	51%	-
ZAO Salon Press (note 5(a))	Russia	60%	-
ZAO Izdatelsky Dom Salon Press (note 5(a))	Russia	60%	-
ZAO Reklamnoe Agentstvo Eidos (note 5(a))	Russia	60%	-
RBC International	Hong Kong	100%	-
Mohiville Corporation	Netherland Antilles	100%	-
Eidos Marketing	BVI	60%	-

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34 Events subsequent to the balance sheet date

(a) Disposal of the IT business

In March 2007 the Company sold its subsidiaries, operating in the IT segment, to its new subsidiary incorporated in 2006, OJSC Armada, for total RUR 12 million/ USD*0.456 million. The following subsidiaries have been sold:

OOO RBC Center

OOO RBC Programmny Produkt

OOO Dom dlya PK

ZAO RBC Soft

OOO RBC Soft

ZAO RBC Engineering

OOO Helios Computer

In March 2007 the Company offered 95% of the issued ordinary shares of OJSC Armada for purchase to the existing shareholders of the Company. The offer price of RUR 6.69/ USD*0.25 per share was based on the notional value of the share capital and retained earnings of OJSC Armada of RUR 67 million/USD* 3 million, determined in accordance with the Russian accounting standards as of 1 January 2007.

As of 24 May 2007 shares of OJSC Armada are traded on MICEX (ARMD ticker). IPO price of Armada was 380 RUR per share.

RBC International Limited, registered in Hong Kong, has not been sold to OJSC Armada by the date when these consolidated financial statements were authorised for issue. Management intends to sell the subsidiary to Armada in 2007.

(b) Treasury shares

Subsequent to 31 December 2006, the Group has purchased 216,500 shares of the Company for RUR 68 million/USD* 3 million.

(c) Approval of a share option program for middle management

In August 2007, the Group approved a motivation program for middle management and key employees of the Group media departments until the end of 2009. To fund this program, RBC intends to use 1,000,000 treasury shares which were purchased by the Group earlier.

(d) Approval of an additional share issue

On 3 August 2007, the Company's Board of Directors approved an additional issue of 20,740,000 ordinary shares at a par value of RUR 0.001 per share.

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(e) Acquisition of subsidiaries

(i) OOO Media Design

Subsequent to 31 December 2006, the Group acquired control over 99% share in OOO Media Design for RUR 11 thousand/ USD* 0.4 thousand, prepaid in cash in 2006. As at 31 December 2006 the Group also provided a 6% loan of RUR 14 million/ USD* 0.532 million to this company, maturing in 2007 (note 16).

(ii) Acquisition of interest in companies owning media service resources

Subsequent to 31 December 2006, the Group entered into agreement to purchase 100% shares in companies owning media service resouces for a total consideration of RUR 632 million/ USD* 24 million. The Group had not obtained title for the shares by the date when these consolidated financial statements were authorised for issue.

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