OJSC RBC Information Systems

Consolidated Statements
for the year ended 31 December 2007

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Independent Auditors' Report

Management

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 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Basis for Qualified Opinion

The Group has not re-presented comparative income statement and cash flow information for the discontinued operation, which is required by International Financial Reporting Standard IAS 1 Presentation of Financial Statements.

ZAO KPMG, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on the comparative figures, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2007, 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 further qualifying our opinion, we draw attention to the fact that:

- As described in note 2(f), the Group incurred a substantial loss for the nine-month period ended 30 September 2008. This and the other matters described in Note 2(f) and 37(a) indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.
- 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 a part of the consolidated financial statements and are unaudited.

ZAO KPMG

ZAO KPMG
14 October 2008

	Note	Continuing operations Mln RUR	Discontinued operation Mln RUR	2007 Mln RUR	2006 Mln RUR
Revenue	9	4,739	501	5,240	5,612
Cost of sales		(2,747)	(436)	(3,183)	(3,558)
Gross profit		1,992	65	2,057	2,054
Other income	10	33	2	35	13
Distribution expenses		(1,142)	(7)	(1,149)	(731)
Administrative expenses	11	(532)	(52)	(584)	(369)
Other expenses	12	(158)	(2)	(160)	(21)
Results from operating activities		193	6	199	946
Financial income	14	217	9	226	506
Financial expenses	14	(364)	(5)	(369)	(256)
Share of profit of equity accounted investees (net of income tax)	19	1	-	1	-
Gain on disposal of discontinued operation	7	-	128	128	-
Profit before income tax		47	138	185	1,196
Income tax expense	15	(104)	(1)	(105)	(157)
(Loss)/profit for the year		(57)	137	80	1,039
Attributable to:					
Shareholders of the Company		(56)	137	81	1,046
Minority interest		(1)	-	(1)	(7)
		(57)	137	80	1,039
(Loss)/earnings per share	27				
Basic (loss)/earnings per share, RUR		(0.47)	1.15	0.68	9.15
Diluted (loss)/earnings per share, RUR		(0.47)	1.15	0.68	8.78

These consolidated financial statements were approved by management on 14 October 2008 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 13 to 93.

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

	Note	Continuing operations Mln USD*	Discontinued operation Mln USD*	2007 Mln USD*	2006 Mln USD*
Revenue	9	193	20	213	229
Cost of sales		(112)	(18)	(130)	(145)
Gross profit		81	2	83	84
Other income	10	1	-	1	-
Distribution expenses		(46)	-	(46)	(29)
Administrative expenses	11	(22)	(2)	(24)	(15)
Other expenses	12	(6)	-	(6)	(1)
Results from operating activities		8	-	8	39
Income from investments	14	9	-	9	19
Financial expenses	14	(15)	-	(15)	(9)
Share of profit of equity accounted investees (net of income tax)	19	-	-	-	-
Gain on disposal of discontinued operation	7	-	5	5	-
Profit before income tax		2	5	7	49
Income tax expense	15	(4)	-	(4)	(6)
(Loss)/profit for the year		(2)	5	3	43
Attributable to:					
Shareholders of the Company		(2)	5	3	43
Minority interest		(0)	-	(0)	-
		(2)	5	3	43
(Loss)/earnings per share	27				
Basic (loss)/earnings per share, USD*		(0.019)	0.047	0.028	0.376
Diluted (loss)/earnings per share, USD*		(0.019)	0.047	0.028	0.361

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 13 to 93.

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

	Note	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	16	457	589	19	24
Intangible assets	17	3,467	1,803	141	73
Prepayment for shares	18	541	354	22	14
Investments in equity accounted investees	19	115	-	5	-
Other assets	20	57	28	2	1
Other investments	21	912	432	37	18
Finance lease receivable		-	7	-	-
Total non-current assets		5,549	3,213	226	130
Current assets					
Inventories	23	40	88	2	4
Other investments	21	3,038	391	124	16
Income tax receivable		28	-	1	-
Trade and other receivables	24	1,534	1,029	62	42
Cash and cash equivalents	25	3,680	3,488	150	142
Total current assets		8,320	4,996	339	204
Total assets		13,869	8,209	565	334

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 13 to 93.

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

	Note	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
EQUITY AND LIABILITIES					
Equity	26				
Share capital		-	-	-	-
Share premium		6,644	2,149	271	88
Treasury shares		(304)	(827)	(12)	(34)
Foreign currency translation reserve		(25)	11	(1)	-
Retained earnings		1,662	2,416	68	98
Total equity attributable to shareholders of the Company		7,977	3,749	326	152
Minority interest		7	217	0	9
Total equity		7,984	3,966	326	161
Non-current liabilities					
Loans and borrowings	29	-	2,634	-	107
Deferred tax liabilities	22	74	86	3	4
Provisions	28	73	50	3	2
Minority interest in limited liability companies		29	-	1	2
Total non-current liabilities		176	2,770	7	113
Current liabilities					
Loans and borrowings	29	3,860	295	157	12
Trade and other payables	30	1,778	1,076	72	44
Income tax payable		71	102	3	4
Total current liabilities		5,709	1,473	232	60
Total liabilities		5,885	4,243	239	173
Total equity and liabilities		13,869	8,209	565	334

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 13 to 93.

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

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Cash flows from operating activities				
Profit for the year	80	1,039	3	42
Adjustments for:				
Depreciation and amortisation	426	408	17	17
Unrealised foreign exchange gain	(214)	(2)	(9)	-
Loss on disposal of property, plant, equipment and intangible assets	92	6	4	-
Gain on disposal of discontinued operation	(128)	-	(5)	-
Net gain from investments in mutual funds	(9)	(175)	-	(7)
Net gain from disposal of promissory notes	(9)	(19)	-	(1)
Net gain from sale of investments held for trading	(121)	(228)	(5)	(9)
Share of profit of equity accounted investees, net of income tax	(1)	-	-	-
Gain on disposal of other assets	-	(9)	-	-
Share option program compensation expense	34	9	1	-
Interest expense	323	204	14	8
Interest income	(43)	(44)	(2)	(2)
Income tax expense	105	157	4	6
Operating profit before changes in working capital and provisions	535	1,346	22	54
(Increase)/decrease in inventories	(125)	66	(5)	3
Increase in trade and other receivables	(870)	(21)	(35)	(1)
Increase in trade and other payables	250	268	10	11
Increase in provisions, other than for income tax	4	22	-	1
Cash flows (used in)/from operations before income taxes and interest paid	(206)	1,681	(8)	68
Income tax paid	(147)	(35)	(6)	(1)
Interest paid	(293)	(167)	(12)	(7)
Cash flows (used in)/from operating activities	(646)	1,479	(26)	60

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 13 to 93.

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	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	10	42	-	2
Proceeds from disposal of investments	6,598	2,175	269	89
Proceeds from disposal of other assets	-	19	-	1
Loans granted	(11)	(194)	(1)	(8)
Repayment of loans granted	54	153	2	6
Prepayment for shares in subsidiaries	(541)	(354)	(22)	(14)
Interest received	43	54	2	2
Acquisition of property, plant and equipment	(161)	(199)	(7)	(8)
Acquisition of intangible assets	(492)	(458)	(20)	(19)
Acquisition of other investments	(9,453)	(2,183)	(385)	(89)
Acquisition of subsidiaries, net of cash acquired	(840)	(601)	(34)	(25)
Payment for shares in equity accounted investees	(114)	-	(5)	-
Disposal of subsidiaries, net of cash disposed of	90	-	4	-
Cash flows used in investing activities	(4,817)	(1,546)	(196)	(63)
FINANCING ACTIVITIES				
Proceeds from the issue of share capital, net of transaction costs	4,494	543	183	22
Acquisition of treasury shares	(74)	(740)	(3)	(30)
Proceeds from borrowings	2,176	3,190	89	130
Repayment of borrowings	(1,000)	(806)	(41)	(33)
Proceeds from sale of treasury shares	59	-	2	-
Cash flows from financing activities	5,655	2,187	230	89
Net increase in cash and cash equivalents	192	2,120	8	86
Cash and cash equivalents at beginning of year	3,488	1,368	142	56
Cash and cash equivalents at end of year (note 25)	3,680	3,488	150	142

Cash flows for 2007 from the discontinued operation are disclosed in the note 7.

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 13 to 93.

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

Mln RUR	Attributable to shareholders of the Company						Minority interest	Total
	Share capital	Share premium	Treasury shares	Translation reserve	Retained earnings	Total		
Balance at 1 January 2006	-	1,493	(90)	-	1,361	2,764	-	2,764
Profit for the year	-	-	-	-	1,046	1,046	(7)	1,039
Foreign currency translation differences	-	-	-	11	-	11	-	11
Total recognized income and expense for the year	-	-	-	11	1,046	1,057	(7)	1,050
Acquisitions of subsidiaries	-	-	-	-	-		224	224
Shares issued	-	659	-	-	-	659	-	659
Options granted	-	-	-	-	9	9	-	9
Treasury shares acquired	-	-	(740)	-	-	(740)	-	(740)
Warrants exercised	-	(3)	3	-	-	-	-	-
Balance at 31 December 2006	-	2,149	(827)	11	2,416	3,749	217	3,966
Balance at 1 January 2007	-	2,149	(827)	11	2,416	3,749	217	3,966
Profit for the year	-	-	-	-	81	81	(1)	80
Foreign currency translation differences	-	-	-	(36)	-	(36)	-	(36)
Total recognized income and expense for the year	-	-	-	(36)	81	45	(1)	44
Acquisitions of subsidiaries	-	-	-	-	-	-	12	12
Acquisition of minority interest in subsidiaries	-	-	-	-	(176)	(176)	(207)	(383)
Disposal of subsidiaries	-	-	-	-	-	-	(14)	(14)
Shares issued	-	4,495	-	-	-	4,495	-	4,495
Options granted	-	-	-	-	34	34	-	34
Treasury shares sold, net of tax	-	-	597	-	(538)	59	-	59
Treasury shares acquired	-	-	(74)	-	-	(74)	-	(74)
Spin off of Armada to shareholders	-	-	-	-	(155)	(155)	-	(155)
Balance at 31 December 2007	-	6,644	(304)	(25)	1,662	7,977	7	7,984

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 13 to 93.

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Mln USD*	Attributable to shareholders of the Company						Minority interest	Total
	Share capital	Share premium	Treasury shares	Translation reserve	Retained earnings	Total		
Balance at 1 January 2006	-	61	(4)	-	55	112	-	112
Profit for the year	-	-	-	-	43	43	-	43
Foreign currency translation differences	-	-	-	-	-	-	-	-
Total recognized income and expense for the year	-	-	-	-	43	43	-	43
Acquisitions of subsidiaries	-	-	-	-	-	-	9	9
Shares issued	-	27	-	-	-	27	-	27
Options granted	-	-	-	-	-	-	-	-
Treasury shares acquired	-	-	(30)	-	-	(30)	-	(30)
Warrants exercised	-	-	-	-	-	-	-	-
Balance at 31 December 2006	-	88	(34)	-	98	152	9	161
Balance at 1 January 2007	-	88	(34)	-	98	152	9	161
Profit for the year	-	-	-	-	3	3	-	3
Foreign currency translation differences	-	-	-	(1)	-	(1)	-	(1)
Total recognized income and expense for the year	-	-	-	(1)	3	2	-	2
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-
Acquisition of minority interest in subsidiaries	-	-	-	-	(7)	(7)	(8)	(15)
Disposal of subsidiaries	-	-	-	-	-	-	(1)	(1)
Shares issued	-	183	-	-	-	183	-	183
Options granted	-	-	-	-	1	1	-	1
Treasury shares sold, net of tax	-	-	25	-	(22)	3	-	3
Treasury shares acquired	-	-	(3)	-	-	(3)	-	(3)
Spin off of Armada to shareholders	-	-	-	-	(6)	(6)	-	(6)
Balance at 31 December 2007	-	271	(12)	(1)	68	326	-	326

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 13 to 93.

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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 sale of software and print publications. These services and products are sold in the Russian Federation and abroad. In May 2007 the Group spun off its IT segment which is involved in developing and selling software (note 7).

The Group is ultimately controlled by German Kaplun, Alexander Morgulchik and Dmitry Belik. They also have a number of other business interests outside of the Group. Related party transactions are detailed in the note 35.

(b) Russian and Ukrainian business environment

The Russian Federation and Ukraine, where the majority of the Group's activities are conducted, have 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 and Ukraine involve risks that typically do not exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian and the Ukrainian 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 or loss and financial investments classified as available-for-sale are stated at their fair value; and the carrying amounts of 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 prepared 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 2007 of RUR 24.5462 to USD 1. All financial information presented in USD has been rounded to the nearest million.

(e) Use of judgments, 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 IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 17 Intangible assets;
- Note 28 Provisions;
- Note 31 Share-based payments;
- Note 32 Financial instruments; and
- Note 33 Contingencies.

(f) Going concern

The Group incurred a substantial loss for the nine-month period ended 30 September 2008. As at the date of approval by management of the consolidated financial statements, the Group had substantial borrowings repayable within twelve months as disclosed in Notes 29 and 37. The Group's ability to continue as a going concern and to repay borrowings when they fall due is dependent on the Group's ability to dispose of its marketable securities at prices not significantly lower than their current market value, to reduce its cash outflows from operating activities and to secure additional borrowings. The recent substantial increase in the volatility of and reduction in liquidity in the Russian fixed income, equity and derivative markets as a result of global conditions mean that there can be no certainty about any of these matters.

The consolidated financial statements have been prepared on the going concern basis because the Group’s management is in advanced discussions with Russian and international financial

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institutions regarding the provision of loan facilities in the range of USD 30 – 50 million and the restructuring of short-term debts. It is also considering the sale of parts of the Group's business. In addition, the shareholders referred to in note 1(a) have confirmed that they will provide such financial and other support, including attracting new equity investors, as is necessary to permit the Group to continue as a going concern.

The consolidated financial statements do not include any adjustments that would be necessary in the event that the Group was unable to continue as a going concern.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Acquisition of minority interests

Any difference between the consideration paid upon the acquisition of a minority interest and the carrying amount of that portion of the Group's interest in the subsidiary is recognised directly in equity.

(iv) Transactions eliminated on consolidation

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

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gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at the exchange rate 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 foreign currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity.

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(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. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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(m).

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.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Financial assets 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 in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

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

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

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Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(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.

Cost includes expenditure that is 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. Borrowing costs related to the acquisition or construction of qualifying assets is recognised in the income statement as incurred.

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.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in “other income” or “other expense” in the income statement.

(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 carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- TV equipment 5 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Intangible assets

(i) Goodwill

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

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 acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

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) 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 a site is expensed as incurred.

(iii) Software

Acquired software stated at historical cost less any accumulated amortisation and any accumulated impairment losses. Costs relating to the development of software are capitalized if the Group expects to sell the software at a price above cost or use it in its operations.

(iv) Capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred.

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 capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in the income statement as incurred.

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(v) Trade marks

Trade marks acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(vi) Brands

Brands acquired by the Group in connection with the acquisition of internet resources (note 8), are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(vii) Other intangible assets

Other intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

(viii) Amortisation

Intangible assets, other than goodwill and certain other assets, are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. Goodwill is not amortised but tested for impairment annually. The estimated useful lives for the current and comparative periods are as follows:

- Trade marks — 5 to 20 years, and indefinite
- Software — 3 years
- Web-sites — 3 years
- Brands — 12 to 15 years
- Customer lists — 1 to 10 years
- Cable network connection — 15 years
- Other (licenses, content, core deposit base) — 3 years and indefinite.

(g) Inventories

Inventories are stated 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.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 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 the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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 the income statement. 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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. 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.

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.

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(i) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share options granted to employees is recognised as personnel costs, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related services and non-market vesting conditions are met.

(j) Provisions

(i) Tax provisions

The Group provides for tax risks including late-payment interest and penalties, when it is probable that an outflow of economic benefits will be required according to the effective 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.

(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 estimated 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.

(k) Revenues

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting 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 associates costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For sales of computer hardware and printing products, transfer usually occurs when the goods are shipped to buyers.

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When 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.

(l) 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 contingency no longer exists and the lease adjustment is known.

(m) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

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

Foreign currency gains and losses are reported on a net basis.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement 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 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 it is probable that they will not reverse in the

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foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

(o) Demerger

When a demerger of the Group into separate businesses takes place, the same shareholders result in owning the businesses identically to their shareholdings in the Group before the demerger. The Group accounts for demerger as distribution to its shareholders using the book values of the net assets of businesses being disposed of.

(p) 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.

(q) 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. The business segments are determined based on the Group’s management and internal reporting structure.

Inter-segment pricing is 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 investments and related revenue, loans and borrowings and related expenses, corporate assets and expenses, and income tax assets and liabilities.

Segment capital expenditure is the cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) 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 2007, 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. The Group has not yet analysed the likely impact of the new Standards on its financial position or performance.

- Revised IAS 1 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements.
- 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. IFRS 8 *Operating Segments,* which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments (see note 6). Under the management approach, the Group will represent segment information in respect of Media, TV, Printing, Hosting, Bank and disposed IT segment.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*, which requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required.
- Revised *IFRS 3 – Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measure at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either the fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

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Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore will be no impact on prior periods in the Group's 2010 consolidated financial statements.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The fair values of certain intangible assets acquired in business combinations were estimated as follows:

(i) Trade marks and brands

The fair value of trade marks and brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trade mark or the brand being owned (the "Relief-from-Royalty" method).

(ii) Software and websites

The fair values of software and websites acquired in a business combination were determined through the cost approach, based on the actual expenditure the Group would have incurred to recreate such software and websites.

(iii) Customer lists

The fair values of customer lists acquired in business combinations were valued using the multi-period excess earnings approach.

(iv) Other

The fair value of the core deposit base of OJSC Burg Capital Bank acquired in a business combination was valued using the cost savings approach. The fair values of licences were determined using the cost approach.

(b) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted weighted average price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

5 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s Internal Audit Department was set up to oversee how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy

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of the risk management framework in relation to the risks faced by the Group in areas outlined by the Board of Directors.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. There are no customers to which the Group sells more than 10% of its turnover. There is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes a review of customers' financial statements and background of customers' managements. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance relates to individually significant exposures. Group has not a collective loss component of impairment established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group does not require collateral in respect of trade receivables.

(ii) Investments

The Group limits its exposure to credit risk by only investing in highly liquid securities, quoted on the RTS and MICEX. The Group mitigates the related credit risk through involving well-established investment companies and brokers to manage its investment portfolio to the benefit of the Group.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

For the long-term perspective the Group analyzes five-year forecasts covering financial, operating and investing activities.

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For the medium- and short-term periods, management considers the availability of different market instruments.

The Group monitors short- and medium-term maturities of its credit portfolio. It also considers replacement of existing instruments with more favourable facilities.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group does not buy or sell derivatives.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUR), but also Euro, U.S. Dollars (USD). The currencies in which these transactions primarily are denominated are RUR, Euro and USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, USD and RUR. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

Generally, the Group adopts a policy of fixed rates borrowings. However, the Group has a loan of RUR 128 million/ USD* 5.2 million with a floating interest rate of LIBOR+5%, which constitutes 3% of the total outstanding loans and borrowings of the Group as at 31 December 2007.

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 judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(iii) Other market price risk

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Financial Officer of the Group.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors

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monitors the return on capital employed, which the Group defines as profit before tax and interest expenses (EBIT) divided by capital employed (total assets minus non interest-bearing current liabilities).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital employed (ROCE) of 5% for 2007; in 2007 the ROCE was 4.5% (unaudited) (2006: 19.9% (unaudited)). In comparison, the weighted average interest expense on interest-bearing borrowings was 9.6% (2006: 9.4%). Management anticipates the decrease in ROCE due to the significant investments in entertainment media.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board of Directors; the Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

One of subsidiaries of the Company, OJSC Burg Capital Bank, is subject to externally imposed capital requirements imposed by the Bank of Russia. The Board has procedures in place to ensure that the bank complies with those requirements.

6 Segment reporting

(a) Business segments

The Group comprises the following main business segments:

Core Business segment. Provision of internet advertising and information services.

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

Printing segment. Provision of advertising in magazines and newspapers, and sale of magazines and newspapers.

IT segment. Development and sale of software, systems integration, IT infrastructure design and maintenance, implementation services. This business segment was disposed in 2007 (note 8).

Bank. Provision of banking services.

Hosting. Provision of hosting services.

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(i) Business segments

	Core business		TV		Printing		IT		Bank		Hosting		Eliminations		Consolidated	
Mln RUR	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenue from external customers	2,637	2,161	1,009	931	1,093	426	501	2,094	-	-	-	-	-	-	5,240	5,612
Inter-segment revenue	79	130	264	41	10	19	5	58	-	-	-	-	(358)	(248)	-	-
Total segment revenue	2,716	2,291	1,273	972	1,103	445	506	2,152	-	-	-	-	(358)	(248)	5,240	5,612
Segment result	1,606	1,296	453	255	286	180	65	368	-	-	(1)	-	(352)	8	2,057	2,107
Unallocated expenses															(1,858)	(1,161)
Profit from operations															199	946
Financial income															226	506
Financial expenses															(369)	(256)
Share in profit of equity accounted investees (net of income tax)															1	-
Gain on disposal of discontinued operation															128	-
Income tax expense															(105)	(157)
Profit for the year															80	1,039
Segment assets	5,906	4,993	1,262	398	1,113	943	-	974	683	-	709	-	(395)	(143)	9,278	7,165
Unallocated assets															4,691	1,044
Total assets															13,869	8,209
Segment liabilities	882	650	116	142	156	66	-	306	395	-	76	-	(167)	(75)	1,458	1,089
Unallocated liabilities															4,398	3,154
Total liabilities															5,856	4,243
Depreciation/amortisation	198	135	180	173	26	48	26	57	-	-	-	-	-	-	430	413
Capital expenditure	859	469	562	230	58	789	24	107	101	-	653	-	-	-	899	1,224

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

	Core business		TV		Printing		IT		Bank		Hosting		Eliminations		Consolidated	
Mln USD*	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenue from external customers	107	88	41	38	45	17	20	85	-	-	-	-	-	-	213	228
Inter-segment revenue	3	5	11	2	-	1	-	2	-	-	-	-	(15)	(10)	-	-
Total segment revenue	110	93	52	40	45	18	20	87	-	-	-	-	(15)	(10)	213	228
Segment result	65	53	18	10	12	7	3	15	-	-	-	-	(14)	-	84	86
Unallocated expenses															(76)	(47)
Profit from operations															8	39
Financial income															9	19
Financial expenses															(15)	(9)
Share in profit of equity accounted investees (net of income tax)															-	-
Gain on disposal of discontinued operation															5	-
Income tax expense															(4)	(6)
Profit for the year															3	42
Segment assets	241	203	51	16	45	38	-	40	28	-	29	-	(16)	(6)	378	292
Unallocated assets															188	43
Total assets															566	334
Segment liabilities	36	26	5	6	6	3	-	12	16	-	3	-	(7)	(3)	59	44
Unallocated liabilities															179	128
Total liabilities															239	173
Depreciation/amortisation	8	5	7	7	1	2	1	2	-	-	-	-	-	-	17	16
Capital expenditure	35	19	23	10	2	32	1	4	4	-	27	-	-	-	37	50

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

7 Discontinued operation

In May 2007 the Group spun off its IT segment. The Group's management committed to sell this segment early in 2007 due to a strategic decision to place greater focus on the Group's key media segments. Subsequent to the spin-off, the disposed IT segment has been under common control with the Group.

IT segment included a number of the Group's subsidiaries as listed below. At the date of disposal, the these subsidiaries were held by OJSC Armada.

In March 2007 the Company's Board of Directors made a public offer to the Company's shareholders to acquire 95% of total shares in OJSC Armada for RUR 6.69/ USD*0.26 per share, based on the notional value of the share capital and retained earnings of OJSC Armada determined as at 1 January 2007 in accordance with the Russian accounting standards. Each of the Company's shareholders was entitled to acquire a number of shares of OJSC Armada in proportion to the number of the Company's shares held by the shareholder.

	Country of incorporation
ZAO RBC Soft	Russia
OOO RBC Soft	Russia
OOO RBC Inform	Russia
OOO RBC Technologies	Russia
ZAO RBC Engineering	Russia
OOO Dom dlya PC	Russia
OOO RBC Center	Russia
OOO ASCO-TBS Consulting	Russia
OOO RBC Programmniy Product	Russia
OOO Hopeland	Russia
OOO Helios Computer	Russia
Art Technology (former RBC International)	Hong Kong
Helios IT Operator	British Virgin Islands

In May 2007 the Company sold 81.79% shares of OJSC Armada to the Company's shareholders for a total consideration of RUR 55 million/USD* 2 million. The loss of RUR 155 million/ USD*6 million has been recognised directly in equity.

In July 2007 the Group sold the remaining 13.21% of the shares of OJSC Armada on the Russian stock market for RUR 164 million/USD* 7 million. The gain of RUR 128 million/USD* 5 million has been recognised in the income statement.

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

	Note	5 months ended 31 May 2007 Mln RUR	5 months ended 31 May 2007 Mln USD*
Results of discontinued operation			
Revenue		501	20
Cost of sales		(436)	(18)
Gross margin		65	2
Expenses		(55)	(2)
Results from operating activities		10	-
Gain on disposal of discontinued operation		128	5
Income tax expense		(1)	-
Profit for the year		137	5
Cash flows used in discontinued operation			
Net cash used in operating activities		(534)	(22)
Net cash used in investing activities		(18)	(1)
Net cash from financing activities		106	4
Net cash flows used in discontinued operation		(446)	(19)

Effect of disposal on the financial position of the Group	As at 31 May 2007 Mln RUR	As at 31 May 2007 Mln USD*
Property, plant and equipment	(31)	(1)
Intangible assets	(143)	(6)
Deferred tax assets	(2)	-
Short-term loans	(11)	-
Inventories	(173)	(7)
Trade and other receivables	(432)	(18)
Cash and cash equivalents	(129)	(5)
Loans and borrowings	163	7
Deferred tax liabilities	12	-
Trade and other payables	493	20
Net liabilities	(253)	(10)
Consideration received, settled in cash	219	9
Cash disposed of	(129)	(5)
Net cash inflow	90	4

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

8 Acquisition and disposal of subsidiaries

(a) Acquisition of OJSC Burg Capital Bank

In December 2007 the Group completed the acquisition of 97.5% shares in OJSC Burg Capital Bank for a total amount of RUR 483 million/USD* 20 million, settled in cash. Prior to its acquisition by the Group OJSC Burg Capital Bank provided banking services to individuals and corporate clients, and conducted broker and dealer operations.

In 2008 management of the Group has commissioned American Appraisals to assess the fair value of identifiable intangible assets of the bank as at the date of the acquisition. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
License	19.9	0.8	indefinite
Core deposit base	5.9	0.2	3 years
Software	2.3	0.1	3 years
	28.1	1.1	

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

Mln RUR	Recognised fair value on acquisition Mln RUR	Recognised fair value on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	2	-
Intangible assets	28	1
Deferred tax asset	1	-
Deposits	1	-
Current assets		
Trade and other receivables	263	11
Investments, held for trading	207	8
Cash and cash equivalents	337	14
Other assets	4	-
Non-current liabilities		
Deferred tax	(11)	-
Current liabilities		
Trade and other payables	(410)	(17)
Net identifiable assets, liabilities and contingent liabilities	422	17
Group's share in net identifiable assets, liabilities and contingent liabilities	412	17
Goodwill on acquisition	71	3
Consideration paid	483	20
Cash acquired	(337)	(14)
Net cash outflow	146	6

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

If the acquisition had occurred on 1 January 2007, Group revenue for the year would have been RUR 5,306 million (unaudited)/USD* 216 million, and the profit for the year would have been RUR 104 million (unaudited)/USD* 4 million. In determining these figures it has been assumed that the fair value adjustments at 1 January 2007 would have been the same as the fair value adjustments that arose on the date of acquisition.

The goodwill in the amount of RUR 71 million/USD* 3 million arose on the acquisition because the Group expects to benefit from creation of a fully-fledged internet payment system in Russia.

(b) Acquisition of OOO Fidel Solutions

At the end of December 2007 the Group acquired 51% of the shares in OOO Fidel Solutions for RUR 13 million/USD* 0.5 million in cash. Additionally, the minority shareholder has a put option to sell further a 10% of the shares in OOO Fidel Solutions to the Group for RUR 25 million/USD* 1 million prior to July 2008. As at 31 December 2007 the Group recognised a payable for the shares in the amount of RUR 25 million/USD* 1 million (notes 3(a)(iii) and 30). The put option had not been exercised as at the date when these consolidated financial statements were authorised for issue.

OOO Fidel Solutions owns internet resource www.fidel.ru which is one of the largest online stores, selling copyright-protected digital content, such as music, audio books, mobile content and computer games.

The Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree as at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Software	2.6	0.1	3 years
Content	1.7	0.1	3 years
Web-sites	1.5	0.1	3 years
	5.8	0.3	

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

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

	Recognised fair values on acquisition Mln RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	1	-
Intangible assets	6	-
Current assets		-
Trade and other receivables	4	-
Investments held for trading		-
Cash and cash equivalents	1	-
Current liabilities		-
Trade and other payables	(1)	-
Short-term loans and borrowings	(9)	-
Net identifiable assets, liabilities and contingent liabilities	2	-
Group's share in net identifiable assets, liabilities and contingent liabilities	1	-
Goodwill on acquisition	12	1
Total consideration paid	13	1
Cash acquired	(1)	-
Net cash outflow	12	1

Because the acquired subsidiary did not prepare IFRS financial statements before they were acquired, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 13 million/ USD* 1 million arose on the acquisition because the Group expects to benefit from synergies from integration of OOO Fidel Solutions into activities of its internet segment.

(c) Acquisition of hosting companies

At the end of December 2007 the Group acquired 100% of the shares in NewMediaHosting Inc. (Cyprus) and Hosting Communities Inc. (Cyprus) for a total consideration of RUR 589 million/ USD* 24 million, which was settled in cash.

At the date of acquisition the above Cyprus companies owned shares in the following Russian companies:

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

	Ownership interest, %
ZAO Arbatek	100
OOO Ukraina-Host	81
ZAO Centrohost	100
OOO Garant-Park Telekom	86
OOO Hosting Center	100
ZAO Spaceweb, OOO Spaceweb	25
OOO Concord	25

In 2008 management of the Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Client base	22	1	5 years
Trade marks	39	1	5 years
	61	2	

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

	Recognised fair values on acquisition Mln RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	44	2
Intangible assets	61	2
Current assets		
Trade and other receivables	44	2
Investments held for trading	16	-
Cash and cash equivalents	16	1
Current liabilities		
Trade and other payables	(81)	(3)
Short-term loans and borrowings	(31)	(1)
Net identifiable assets, liabilities and contingent liabilities	69	3
Group's share in net identifiable assets, liabilities and contingent liabilities	56	2
Goodwill on acquisition	533	22
Consideration paid	589	24
Cash acquired	(16)	(1)
Net cash outflow	573	23

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

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 revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 533 million/USD* 22 million arose because through this acquisition the Group becomes a leading provider on the Russian market of web hosting services.

(d) Acquisition of ZAO Agentstvo Marketinga i Delovoj Analitiki

In July 2007 the Group acquired 90% of the shares of ZAO Agentstvo Marketinga i Delovoj Analitiki and its subsidiaries ZAO Nashi Den'gi Volga and ZAO Nashi Den'gi Novosibirsk (further referred together as "Amida") for RUR 45 million/ USD* 2 million, settled in cash. Amida publishes magazine "Nashi Den'gi" distributed in Russia and abroad.

The Group commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life
Trade marks	7	-	5 years
Client base	15	1	10 years
	22	1	

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

	Recognised fair values on acquisition Mln RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	1	-
Intangible assets	22	1
Current assets		
Trade and other receivables	21	1
Investments held for trading	2	-
Cash and cash equivalents	1	-
Other assets	4	-
Current liabilities		
Trade and other payables	(11)	-
Short-term loans and borrowings	(17)	(1)
Net identifiable assets, liabilities and contingent liabilities	23	1
Group's share in net identifiable assets, liabilities and contingent liabilities	21	1
Goodwill on acquisition	24	1
Consideration paid	45	2
Cash acquired	(1)	-
Net cash outflow	44	2

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

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 revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 24 million/USD* 1 million arose on the acquisition because the Group expects to benefit from synergies from of including Amida in the publishing segment of the Group.

(e) Acquisition of “Kvartirny otvet na kvartirny vopros”

In October 2007 the Group acquired a publishing business “Kvartirny otvet na kvartirny vopros” which included publishing rights and internet domain www.kvotvet.ru, and employed its key employees. The total acquisition price was RUR 42 million/ USD* 2 million, settled in cash. The Group has not identified any material assets or liabilities acquired in this business combination. The goodwill of RUR 42 million/ USD* 2 million arose on the acquisition because the Group expects to benefit synergies of including the publishing business in the operations of its printing segment.

(f) Acquisition of “Kvadratny metr”

In July 2007 the Group acquired a publishing business “Kvadratny metr” for the total consideration of RUR 25 million/ USD* 1 million, settled in cash. The business included registered trademarks “Kvadratny metr poleznoi ploschadi”, publishing rights for the newspapers “M2 - Kvadratny metr poleznoi ploschadi” and “O nedvizhimosti”, and internet website.

The purchase consideration of RUR 25 million/ USD* 1 million has been allocated to the registered trademark “Kvadratny metr” in the amount of RUR 8 million/ USD* 0 million and goodwill in the amount of RUR 17 million/ USD*1 million. The Group has assigned a 20-year useful life to the trade mark. The Group has not identified other material assets or liabilities acquired in this business combination. The goodwill of RUR 17 million/ USD* 1 million arose on the acquisition because the Group expects to benefit synergies of including the publishing business in the operations of its printing segment.

(g) Acquisition of Valento Commerce Limited and OOO Loveplanet:

(i) Acquisition of 75% shares in Valento Commerce Ltd.

In September 2007 the Group acquired 75% of the shares of Valento Commerce Limited (British Virgin Islands) for RUR 670 million/USD* 27 million. The amount of RUR 354 million/ USD* 14 million was prepaid in 2006 (note 18). The balance of the purchase consideration was settled by provision of advertising services at the value of RUR 316 million/ USD* 13 million.

At the date of acquisition, Valento Commerce Limited owned 55% of the shares in OOO Loveplanet. Valento Commerce Limited and OOO Loveplanet own non-business web-sites and software.

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The Group has commissioned American Appraisals to assess fair value of identifiable intangible assets of the acquiree at the acquisition date. The appraiser has identified the following intangible assets:

	Fair value Mln. RUR	Fair value Mln. USD*	Estimated remaining useful life
Software	12.1	0.4	3 years
Brands Fishki and Loveplanet	41.0	1.7	15 years
Client relationship	13.6	0.6	1 year
	66.7	2.7	

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

	Recognised fair values on acquisition Mln. RUR	Recognised fair values on acquisition Mln USD*
Non-current assets		
Property, plant and equipment	3	-
Intangible assets	67	3
Deferred tax asset	1	-
Current assets		
Trade and other receivables	43	2
Cash and cash equivalents	1	-
Current liabilities		
Trade and other payables	(35)	(1)
Short-term loans and borrowings	(20)	(1)
Net identifiable assets, liabilities and contingent liabilities	60	3
Group's share in net identifiable assets, liabilities and contingent liabilities	31	1
Goodwill on acquisition	639	26
Total consideration	670	27
Non-cash consideration	316	13
Consideration prepaid in cash in 2006	354	14
Total cash consideration paid in 2007	-	-
Cash acquired	(1)	-
Net cash inflow	(1)	-

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 revenue and profit for the year ended 31 December 2007, had the acquisition occurred on 1 January 2007.

The goodwill in the amount of RUR 639 million/USD* 26 million arose on the acquisition due to the expected synergies of the acquired business into entertainment internet projects of the Group.

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(ii) An option to acquire further 25% shares in Valento Commerce Ltd.

At 31 December 2007 the Group had an option to buy the 25% minority interest in Valento Commerce exercisable by the Group within one year of the initial acquisition by the Group of the 75% interest. The price payable for the 25% interest shall not be less than RUR 115 million/ USD* 4.7 million and depends on the number of the websites' visitors.

(h) Acquisition of OOO Media Design

In January 2007 the Group acquired 99% shareholding in OOO Media Design for RUR 11 thousand/ USD* 0.4 thousand, prepaid in cash in 2006. Net liabilities of the acquiree at the date of acquisition were RUR 8 million/ USD* 0.3 million.

(i) Option to acquire 40% interest in EDI S Press group

At 31 December 2007 the minority shareholders have a put option to sell to the Group the 40% minority interest in EDI S Press. At the same time, the Group has a call option to buy the same amount of shares in EDI S Press. Both options are exercisable until 31 December 2008. The price of the 40% shares is to be determined based on audited revenue, profit and the fair value of the acquired business determined by an independent appraiser. As at 31 December 2007 the Group recognised a liability for the put option in the amount of RUR 383 million/ USD* 15.6 million (notes 3(a)(iii) and 30). Subsequent to 31 December 2007, half of the put options were exercised and the Group acquired a further 20% of the shares in EDI S Press for RUR 191 million/ USD* 7.8 million (note 37(f)).

(j) Acquisitions in 2006

(i) 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* 26 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%

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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* 0.48 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:

	Fair value, mln.RUR	**Fair value, mln.USD***	**Estimated remaining useful life**
Trademark "Idei Vashego Doma"	190	8	indefinite
Trademark "Salon-Interier"	132	5	indefinite
Trademark "Interier-Magazin"	16	1	20 years
	338	14	
Customer relationships	140	6	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	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)

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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

Mln USD*	**Recognised fair values on acquisition**
Non-current assets	20
Property, plant and equipment	1
Intangible assets	19
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	22
Group's share in net identifiable assets, liabilities and contingent liabilities	13
Goodwill on acquisition	13
Consideration paid	26
Cash acquired	(1)
Net cash outflow	25

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

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.

The goodwill of RUR 312 million/ USD* 13 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.

(ii) 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.

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.

The impact of this acquisition was an increase in the Group's net profit for the year ended 31 December 2006 by RUR 7 million/ USD* 0.285 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	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)

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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	(27)
Consideration recognized in 2005	(41)
Cash acquired	-
Net cash inflow in 2006	-

Mln USD*	**Recognised fair values on acquisition**
Non-current assets	1
Property, plant and equipment	-
Intangible assets	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	(1)
Consideration recognized in 2005	(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* 230 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

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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.

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.

(j) Disposal of OOO IT Group

In December 2007 the Group disposed of its investment in OOO IT Group for RUR 0.08 million/ USD* 0 million. At the date of disposal the net identifiable assets of the company were RUR 0.1 million/ USD* 0.004 million.

9 Revenue

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Revenue from sale of internet advertising services	2,637	2,161	107	88
Revenue from sale of TV advertising services	1,009	931	41	38
Revenue from sale of advertising services in printing segment and from circulation	1,093	426	45	17
Revenue from sale of software, hardware and related IT services	501	2,094	20	86
	5,240	5,612	213	229

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

10 Other income

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Gain on disposal of property, plant and equipment	20	-	1	-
Write-off accounts payable	-	7	-	-
Rental income	4	-	-	-
Other	11	6	-	-
	35	13	1	-

11 Administrative expenses

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Wages and salaries	(189)	(140)	(8)	(6)
Rent	(105)	(52)	(4)	(2)
Consulting and legal expenses	(84)	(35)	(3)	(1)
Communication	(35)	(34)	(1)	(2)
Employee compensation under share option program	(34)	(9)	(1)	-
Maintenance of cars	(16)	(13)	(1)	(1)
Taxes other than income tax	(12)	(14)	(1)	(1)
Insurance	(9)	(7)	(1)	-
Other administrative expenses	(100)	(65)	(4)	(2)
	(584)	(369)	(24)	(15)

12 Other expenses

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Loss on disposal of property, plant and equipment	(112)	(6)	(5)	-
Penalties	(7)	(2)	-	-
Other	(41)	(13)	(1)	(1)
	(160)	(21)	(6)	(1)

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

13 Total personnel costs

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Wages and salaries	1,120	706	46	29
Contributions to State pension fund and other social charges	152	52	6	2
Share options (note 31(b))	34	9	1	-
	1,306	767	53	31

14 Financial income and expenses

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Financial income				
Net income from non-current other investment				
Net gain from investments in mutual funds	9	175	-	7
Net income from current other investments				
Interest income	43	44	2	1
Net gain on disposal of promissory notes held to maturity	9	19	-	1
Foreign exchange gain/(loss), net	42	(12)	2	-
Net gain on sale of investments held for trading	121	280	5	11
Other financial income	2	-	-	-
	217	331	9	13
	226	506	9	19
Financial expenses				
Interest expense	(323)	(204)	(13)	(8)
Brokers commissions	(46)	(52)	(2)	(2)
	(369)	(256)	(15)	(10)

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15 Income tax expense

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Current tax expense				
Current year	98	128	4	5
Increase in tax provision, net (note 28)	19	28	1	1
	117	156	5	6
Deferred tax expense				
Origination and reversal of temporary differences	(12)	1	(1)	-
	105	157	4	6

The applicable tax rate for the Company and Russian subsidiaries is the income tax rate of 24% (2006: 24%). Foreign subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entities located in Ukraine, the applicable tax rate is the corporate income tax rate of 25% (2006: 25%). For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2006: 10%). For an entity located in Netherland Antilles the effective income tax rate applied in 2007 is 4% (2006: 3%). The income earned by entities incorporated in the British Virgin Islands and Hong Kong is not currently subject to income tax.

Reconciliation of effective tax rate:

	2007 Mln RUR	%	2006 Mln RUR	%
Profit before income tax	185	100	1,196	100
Income tax at applicable tax rate	(44)	(24)	(287)	(24)
Effect of income taxed at lower rates (note 34(c))	209	113	130	11
Increase of late-payment interest and penalties related to the provision for income tax (note 28)	(9)	(5)	-	-
Non-deductible expenses	(320)	(173)	(18)	(1)
Non-taxable income	59	32	18	1
	(105)	(57)	(157)	(13)

	2007 Mln USD*	%	2006 Mln USD*	%
Profit before income tax	8	100	49	100
Income tax at applicable tax rate	(2)	(24)	(11)	(24)
Effect of income taxed at lower rates (note 34(c))	9	113	5	10
Increase of late-payment interest and penalties related to the provision for income tax (note 28)	-	(5)	-	-
Non-deductible expenses	(13)	(173)	(1)	-
Non-taxable income	2	32	1	-
	(4)	(57)	(6)	(13)

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

16 Property, plant and equipment

Mln RUR	TV equipment	Computer equipment	Office equipment	Other assets	Construc-tion in progress	Total
Cost						
Balance at 1 January 2006	531	445	23	18	15	1,032
Acquisitions through business combinations	-	15	1	-	-	16
Additions	20	86	20	10	116	252
Disposals	(4)	(68)	(2)	(6)	(14)	(94)
Transfer	-	38	4	2	(44)	-
Balance at 31 December 2006	547	516	46	24	73	1,206
Balance at 1 January 2007	547	516	46	24	73	1,206
Acquisitions through business combinations	-	49	1	1	-	51
Additions	56	13	69	19	4	161
Disposed with discontinued operation (note 7)	-	(49)	(8)	-	(2)	(59)
Other disposals	(81)	(58)	(1)	(1)	-	(141)
Transfer	10	8	39	-	(57)	-
Balance at 31 December 2007	532	479	146	43	18	1,218
Depreciation						
Balance at 1 January 2006	(205)	(224)	(19)	(10)	-	(458)
Depreciation charge	(107)	(89)	(5)	(4)	-	(205)
Disposals	2	40	1	3	-	46
Balance at 31 December 2006	(310)	(273)	(23)	(11)	-	(617)
Balance at 1 January 2007	(310)	(273)	(23)	(11)	-	(617)
Depreciation charge	(108)	(79)	(18)	(6)	-	(211)
Disposed with discontinued operation (note 7)	-	22	6	-	-	28
Other disposals	24	11	-	4	-	39
Balance at 31 December 2007	(394)	(319)	(35)	(13)	-	(761)
Net book value						
At 1 January 2006	326	221	4	8	15	574
At 31 December 2006	237	243	23	13	73	589
At 31 December 2007	138	160	111	30	18	457

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

Mln USD*	TV equipment	Computer equipment	Office equipment	Other assets	Construc-tion in progress	Total
Cost						
Balance at 1 January 2006	21	18	1	1	1	42
Acquisitions through business combinations	-	1	-	-	-	1
Additions	1	3	1	-	5	10
Disposals	-	(3)	-	-	(1)	(4)
Transfer	-	2	-	-	(2)	-
Balance at 31 December 2006	22	21	2	1	3	49
Balance at 1 January 2007	22	21	2	1	3	49
Acquisitions through business combinations	-	2	-	-	-	2
Additions	2	1	3	1	-	7
Disposed with discontinued operation (note 7)	-	(2)	-	-	-	(2)
Other disposals	(3)	(2)	-	-	-	(5)
Transfer	1	-	1	-	(2)	-
Balance at 31 December 2007	22	20	6	2	1	51
Depreciation						
Balance at 1 January 2006	(9)	(9)	(1)	-	-	(19)
Depreciation charge	(4)	(4)	-	-	-	(8)
Disposals	-	2	-	-	-	2
Balance at 31 December 2006	(13)	(11)	(1)	-	-	(25)
Balance at 1 January 2007	(13)	(11)	(1)	(1)	-	(26)
Depreciation charge	(4)	(3)	(1)	-	-	(8)
Disposed with discontinued operation (note 7)	-	1	-	-	-	1
Other disposals	1	-	-	-	-	1
Balance at 31 December 2007	(16)	(13)	(2)	-	-	(31)
Net book value						
At 1 January 2006	12	9	-	1	1	23
At 31 December 2006	9	10	1	1	3	24
At 31 December 2007	6	7	4	2	1	19

(a) Depreciation

Depreciation charge is included in “Cost of sales” and “Administrative expenses”.

During the year, depreciation of RUR 4 million/USD* 0.2 million (2006: RUR 7 million/ USD* 0.3 million) was capitalized as a part of web-site costs.

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17 Intangible assets

Mln RUR	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2006	51	171	217	272	375	3	-	-	-	45	1,134
Additions	39	47	29	32	106	178	32	-	-	-	463
Acquired through business combinations	338	-	-	-	-	-	-	371	155	-	864
Transfers	-	-	-	-	3	(3)	-	-	-	-	-
At 31 December 2006	428	218	246	304	484	178	32	371	155	45	2,461
At 1 January 2007	428	218	246	304	484	178	32	371	155	45	2,461
Additions	-	12	90	20		176	200	-	-	-	498
Additions through business combinations (note 8)	52	17	3	-	41	-	-	1,341	57	19	1,530
Disposals	-	(2)	-	-	-	-	-	-	-	-	(2)
Disposed with discontinued operation (note 7)	-	(17)	(1)	(324)	-	-	-	(59)	(15)	-	(416)
Transfers		-	-	-	-	(178)	178	-	-	-	-
At 31 December 2007	480	228	338	-	525	176	410	1,653	197	64	4,071

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

Mln RUR	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Amortisation											
At 1 January 2006	(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)
At 1 January 2007	(20)	(104)	(186)	(254)	(41)	-	-	-	(10)	(43)	(658)
Amortisation charge	(15)	(63)	(38)	(17)	(40)	-	(17)	-	(29)	-	(219)
Disposed with discontinued operation (note 7)	-	8	1	260	-	-	-	-	4	-	273
Transfers	-	-	(11)	11	-	-	-	-	-	-	-
At 31 December 2007	(35)	(159)	(234)	-	(81)	-	(17)	-	(35)	(43)	(604)
Net book value											
At 1 January 2006	39	126	66	60	372	3	-	-	-	18	684
At 31 December 2006	408	114	60	50	443	178	32	371	145	2	1,803
At 31 December 2007	445	69	104	-	444	176	393	1,653	162	21	3,467

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Mln USD*	Trade marks	Software	Web-sites	Capitalised development costs	Brands	Prepay-ments	Cable network connection	Goodwill	Customer list	Other	Total
Cost											
At 1 January 2006	2	7	9	11	15	-	-	-	-	2	46
Additions	2	2	1	1	4	7	1	-	-	-	18
Acquired through business combinations	14	-	-	-	-	-	-	15	6	-	35
Transfers	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2006	18	9	10	12	19	7	1	15	6	2	99
At 1 January 2007	18	9	10	12	19	7	1	15	6	2	99
Additions	-	-	4	1	-	7	8	-	-	-	20
Acquired through business combinations (note 8)	2	1	-	-	2	-	-	55	2	1	63
Disposals	-	-	-	-	-	-	-	-	-	-	-
Disposed with discontinued operation (note 7)	-	(1)	-	(13)	-	-	-	(2)	(1)	-	(17)
Transfers	-	-	-	-	-	(7)	7	-	-	-	-
At 31 December 2007	20	9	14	-	21	7	16	68	7	3	165

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Mln USD*	**Trade marks**	**Software**	**Web-sites**	**Capitalised development costs**	**Brands**	**Prepay-ments**	**Cable network connection**	**Goodwill**	**Customer list**	**Other**	**Total**
Amortisation											
At 1 January 2006	-	(2)	(6)	(9)	-	-	-	-	-	(1)	(18)
Amortisation charge	-	(2)	(2)	(2)	(2)	-	-	-	-	(1)	(9)
At 31 December 2006	-	(4)	(8)	(11)	(2)	-	-	-	-	(2)	(27)
At 1 January 2007	-	(4)	(8)	(11)	(2)	-	-	-	-	(2)	(27)
Amortisation charge	(1)	(2)	(1)	(1)	(2)	-	(1)	-	(1)	-	(9)
Disposed with discontinued operation (note 7)	-	-	-	12	-	-	-	-	-	-	12
Transfers	-	-	(1)	1	-	-	-	-	-	-	(1)
At 31 December 2007	(1)	(6)	(10)	1	(4)	-	(1)	-	(1)	(2)	(24)
Net book value											
At 1 January 2006	2	5	3	2	15	-	-	-	-	1	28
At 31 December 2006	18	5	2	1	17	7	1	15	6	-	73
At 31 December 2007	19	3	4	1	17	7	15	68	6	1	141

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(a) Prepayments and cable network connections

In 2007 the Group further prepaid an additional amount of RUR 127 million/ USD* 5 million to the provider of the cable network connection in Moscow. The connection will be completed in 2008. In 2007 the provider completed the installation works for total RUR 378 million /USD* 15 million, including works prepaid in 2006 in the amount of RUR 178 million/ USD* 7 million.

As at 31 December 2007 prepayments also included cash paid to a developer of software of RUR 49 million/ USD* 2 million.

(b) Amortization charge

All amortization charge for the year is included in "Cost of sales".

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

The Group has the following intangible assets with an indefinite useful life:

- Goodwill in the amount of RUR 1,677 million / USD* 68 million (2006: RUR 371 million/ USD* 15 million);
- Trade marks in the amount of RUR 322 million/ USD* 13 million (2006: RUR 322 million/ USD* 13 million) recognised on the acquisition of EDI Press and its subsidiaries in 2006;
- License in the amount of RUR 20 million/ USD* 1 million (2006: nil) recognised on the acquisition of OJSC Burg Capital Bank (note 8(a));
- License in the amount of RUR 202 million/ USD* 8 million (2006: nil) recognised on the acquisition of the equity accounted investee ZAO Yuzhny Region – Telekommunikacii (note 19).

For the purposes of impairment testing goodwill, trade marks and licenses were allocated to the subsidiaries or groups of subsidiaries where they have been indicated upon business combinations. Such units represent the lowest level within the Group at which the intangible assets are monitored for internal management purposes.

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Intangible assets subject to the impairment review	Carrying amount, Mln RUR	Carrying amount, Mln USD*	Cash generating unit where the intangible asset was allocated for the purpose of the impairment review
Goodwill on acquisition of Valento Commerce Ltd. and OOO Loveplanet in 2007	639	26	All entertainment websites owned by the Group as a single cash generating unit
Goodwill on acquisition of hosting companies in 2007	533	22	Hosting companies registered in Moscow and St.Petersburg as two separate cash-generating units
Goodwill on acquisition of EDI S Press and its subsidiaries in 2006, and trade marks “Idei Vashego Doma” and “Salon-Interier”	312	13	EDI S Press and its subsidiaries
Goodwill on acquisition of OJSC Burg Capital Bank in 2007 and bank licenses	91	4	Internet business segment of the Group as a single cash generating unit
Goodwill on acquisition of Kvartirny Otvet na Kvartirny Vopros in 2007	42	2	Publishing business of Kvartirny Otvet na Kvartirny Vopros
Goodwill on acquisition of Amida in 2007	24	1	Amida publishing business
Goodwill on acquisition of Kvadratny Metr in 2007	17	1	Publishing business of Kvadratny Metr
Goodwill on acquisition of OOO Fidel Solutions in 2007	12	-	All entertainment websites owned by the Group as a single cash generating unit

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

EDI S Press and its subsidiaries acquired in 2006

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 following key assumptions were used in determining the recoverable amount of EDI S Press and its subsidiaries:

- Annual sale quantities of the magazines “Idei Vashego Doma” and “Salon-Interier” remain stable at a level of 1,800 thousand copies in 2008-2012;
- Selling prices for the magazines were projected to grow by 5% in 2008, by 4% in 2009 and by 3% in 2010 and thereafter;
- Advertising revenue per issue sold was projected to grow in line with Russian magazine advertising market (11% growth in 2008, 7% growth in 2009, 8% growth in 2010, and 3% growth per year thereafter);
- A discount rate of 16% on an after tax basis was applied in discounting cash flows. The discount rate used was based on the Group’s weighted average cost of capital.

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The estimated net discounted cash flows indicate no impairment of goodwill or trade marks of EDI S Press and its subsidiaries as at 31 December 2007.

Although no impairment loss was recognised in respect of goodwill allocated to EDI S Press Group and its trade marks with indefinite useful lives, the determination of recoverable amount is sensitive to annual sale quantities of magazines.

In determining a fair value of the business of RUR 1,053 million/USD* 43 million (compared to the net assets' carrying amount of RUR 959 million/USD* 39 million), management has assumed that annual sales will reach 1,800 thousand copies of magazines by the end of 2008 and thereafter. If actual annual sales quantities were to be below estimated production by 30% in 2008 and subsequent years, the value in use would equal the carrying amount of the goodwill and intangible assets of EDI S Press and its subsidiaries.

Valento Commerce and Loveplanet acquired in 2007

The impairment review of goodwill on acquisition of Valento Commerce Limited and OOO Loveplanet of RUR 639 million/ USD* 26 million (note 8(g)) was performed with the assistance of independent valuers American Appraisals as at the date of acquisition, 30 September 2007. There were no significant changes in assumptions used in the impairment review in the forth quarter of 2007.

The following key assumptions were used:

- The discounted cash flow analysis was prepared for all entertainment websites owned by the Group as a single cash generating unit.
- Annual growth rate for sales of advertising in internet blogs of 20% per year, and annual growth rate for sales of advertising in other internet resources of 40% per year.
- A discount rate of 16% on an after-tax basis was applied in discounting cash flows. The discount rate used was based on the Group's weighted average cost of capital.
- Cash flow projections are based on three- to five-year business plans.
- Cash flow projections beyond that time frame are extrapolated by applying flat growth rate of 2%, followed by a growth rate to perpetuity reflecting the expected long-term growth of the market.

The estimated net discounted cash flows indicate no impairment of goodwill or intangible assets of Valento Commerce Limited or OOO Loveplanet as at 31 December 2007.

In determining a value in use of the cash generating unit of RUR 2,369 million/USD* 96.5 million (compared to the carrying amount of the total net assets of the cash generating unit of RUR 1,531 million/ USD* 62.3 million), management has assumed that prices for internet advertising will grow by 50% in 2008, by 55% in 2009, by 21% in 2010 and by 17% in 2011. If actual selling prices fall in 2008 by 20%, the value in use would be still higher than the sum of goodwill and intangible assets allocated to the entertainment segment of the Group.

Amida

The impairment review of goodwill on acquisition of Amida of RUR 24 million/ USD*1 million (note 8(d)) was performed with the assistance of independent valuers American Appraisals. There were no significant changes in assumptions used in the impairment review as at the balance sheet date.

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The following key assumptions were used:

- Annual sales volumes of magazines will grow by 18% in 2008, 12% in 2009, 11% in 2010 and 10% in 2012;
- Sales prices were projected to grow by 12% per year in 2008 - 2010, by 8% in 2011 and by 5% in 2012;
- A discount rate of 16% on an after tax basis was applied in discounting cash flows. The discount rate used was based on the Group's weighted average cost of capital;
- Cash flow projections are based on three- to five-year business plans;
- Cash flow projections beyond that time frame are extrapolated by applying flat growth rate of 4%, followed by a growth rate to perpetuity reflecting the expected long-term growth of the market.

The estimated net discounted cash flows indicate no impairment of goodwill of Amida as at 31 December 2007.

Although no impairment loss was recognised in respect of goodwill allocated to Amida, the determination of recoverable amount is sensitive to annual sales volumes of magazines.

In determining a value in use of RUR 48 million/USD* 2 million, management has assumed that annual sales will reach 1,800 thousand by the end of 2008 and thereafter. If actual annual sales quantities were to be below estimated production by 30% in 2008 and subsequent years, the value in use would equal the carrying amount of intangible assets and goodwill allocated to Amida.

Hosting companies

The impairment review of goodwill relating to hosting companies of RUR 533 million/ USD*22 million (note 8(c)) was performed with the assistance of independent valuers American Appraisal.

The following key assumptions were used:

- A five-year business plan has been considered for the hosting companies, as this period was deemed adequate to reach stabilized cash flows. Tariffs were analysed in four categories - domain registration, virtual hosting, dedicated hosting and telecommunication services.
- Domain registration tariffs in 2008 are expected to be set by the industry's regulatory body RosNIIROS at RUR 491/ USD*20 per domain for retail, and at RUR 123/ USD*5 per domain for wholesale. Both retail and wholesale tariffs are expected to fall by 40% in 2009, by further 20% in 2010, remain stable in 2011, and start growing in line with inflation in the following years.
- A discount rate of 16% on an after tax basis was applied in discounting cash flows. The discount rate used was based on the Group's weighted average cost of capital.
- Cash flow projections beyond that time frame have been extrapolated by applying a flat growth rate of 4%, followed by a growth rate of sales revenue to perpetuity reflecting the expected long-term growth of the market.

The estimated net discounted cash flows indicate no impairment of goodwill or intangible assets of hosting subsidiaries as at 31 December 2007.

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Although no impairment loss was recognised in respect of goodwill allocated to the hosting companies, the determination of the recoverable amount is sensitive to annual sale volumes of magazines.

In determining a value in use of RUR 683 million/USD* 28 million, management has assumed that annual sales will RUR 320 million/ USD* 13 million in 2008. If actual annual sales were to be under this estimated amount by 4% in 2008 and subsequent years, the value in use would equal the carrying amount of intangible assets and the goodwill allocated to the hosting companies.

Burg Capital Bank acquired in 2007

The impairment review of goodwill and license with indefinite useful life in the total amount of RUR 71 million/ USD* 3 million was performed for the cash generating unit comprising OJSC Burg Capital Bank and the Internet business segment of the Group. OJSC Burg Capital Bank will operate an internet payment system that will be an integral part of the Internet business segment of the Group.

The following key assumptions were used:

- The discounted cash flow analysis was prepared for the operations of OJSC Burg Capital Bank and the Internet business segment of the Group considered together as a single cash generating unit;
- Annual growth rate for sales of advertising in internet blogs of 20% per year, and annual growth rate for sales of advertising in other internet resources of 40% per year;
- A discount rate of 16% on an after-tax basis was applied in discounting cash flows. The discount rate used was based on the Group's weighted average cost of capital.
- Cash flow projections are based on three- to five-year business plans.
- Cash flow projections beyond that time frame are extrapolated by applying a growth rate of 3%, followed by a growth rate to perpetuity reflecting the expected long-term growth of the market.

The estimated net discounted cash flows indicate no impairment of goodwill or intangible assets of the cash generating unit comprising OJSC Burg Capital Bank and the Internet business segment at 31 December 2007.

In determining a value in use of the cash generating unit of RUR 4,240 million/USD* 172.7 million (compared to the carrying amount of the total net assets of the cash generating unit of RUR 2,014 million/ USD* 82 million), management has assumed that prices for internet advertising will grow by 50% in 2008, by 55% in 2009, by 21% in 2010 and by 17% in 2011. If actual selling prices were to fall in 2008 by 20%, the value in use would be still higher than the sum of goodwill and intangible assets allocated to the Internet segment of the Group.

Printing businesses ("Kvartirny otvet na Kvartirny Vopros" and "Kvadratny Metr")

The impairment review of goodwill on the acquisition of the printing businesses of RUR 59 million/ USD* 2 million was performed on the following assumptions:

The discounted cash flow analysis was prepared for "Kvartirny Otvet" and "Kvadratny Metr" as two separate cash-generating units. The impairment review of the magazines has been done on the basis of a 4-year business plan. For the impairment review of goodwill the Group used the following key assumptions:

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- Annual sales volumes of magazines will be stable in 2008-2012.
- Sales prices of printing products were projected to grow by 30% per year in 2009 – 2011.
- Advertising revenue per issue sold was projected to grow in line with the Russian magazine advertising market (10% growth in 2009, 15% growth in 2010, and 15% in 2011).
- A discount rate of 16% on an after tax basis was applied in discounting cash flows for all appraised intangible assets. The discount rate used was based on the Group's weighted average cost of capital.

The estimated net discounted cash flows indicate no impairment of goodwill of the two printing businesses as at 31 December 2007.

Although no impairment loss was recognised in respect of goodwill allocated to printing businesses, the determination of recoverable amount is sensitive to annual quantities of magazines sold.

In determining a value in use of RUR 77 million/USD* 3 million (compared to the carrying amount of the goodwill and intangible assets in the total amount of RUR 63 million/USD* 2.6 million), management has assumed that annual sales will reach 3,032 thousand copies by the end of the fourth year. If actual annual sales volumes were to be below estimated production by 4% in 2008 and thereafter, the value in use would equal the carrying amount of intangible assets and goodwill allocated to the printing businesses.

18 Prepayment for shares

(a) Prepayment for shares of a company owning Internet resources

In 2007 the Group made a prepayment of RUR 491 million / USD* 20 million for 40% shares in a company which owns a number of internet resources. The Group paid the remaining part of the purchase consideration of RUR 693 million/ USD* 28 million in 2008.

The Group management expects to complete this acquisition in 2008.

(b) Prepayment for shares of a regional media company

In 2007 the Group made a prepayment of RUR 50 million /USD* 2 million for a 50% shareholding in a media company with the aim of operating a business newspaper and a web-site. The total amount of the purchase consideration is RUR 51 million/ USD* 2 million. The title for the shares was transferred to the Group in 2008 (note 36(g)).

19 Investments in equity accounted investees

Investments in equity accounted investees represent the Group's 50% shareholding in the net assets of ZAO Yuzhny Region – Telekommunikacii acquired in October 2007 for RUR 114 million/ USD* 5 million. The company's main activity is provision of TV broadcasting services in the Rostov region of Russia.

In 2008 the Group engaged an independent appraiser, Americal Appraisal (AAR) Inc., to identify and assess the fair value of the acquired intangible assets at the date of acquisition. The appraiser has identified as an intangible asset the TV broadcasting license and assessed its fair value in the amount

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of RUR 202 million/ USD* 8 million. Goodwill in the amount of RUR 13 million/ USD* 1 million was included in the cost of investment.

As at 31 December 2007 the equity accounted investee had total assets of RUR 204 million/ USD* 8.3 million and total liabilities of RUR 0.4 million/ USD* 0.01 million. In 2007 the Group recognised income of RUR 1 million/ USD* 0.04 million from investments in ZAO Yuzhny Region – Telekommunikacii.

The impairment review of goodwill of RUR 13 million/USD*1 million and the TV broadcasting license of RUR 202 million/USD* 8 million, recognized on the acquisition of 50% in ZAO " Yuzhny Region-Telecommunikacii" was performed by comparing the net nook value of assets with the higher of value in use or fair value less costs to sell. Fair value of the license was determined by American Appraisal for the purposes of the purchase price allocation.

The following key assumptions have been used:

- The discounted cash flow analysis was prepared based on 5-year business plan for 2008 – 2012.
- Annual growth rate of sales was assumed to be 21% for 2008 and 2009, 18% in 2010, 13% in 2011 and 9% in 2012 and 8% in the terminal period.
- EBITDA margin of 20% was applied for all years in the projected period.
- A discount rate of 16.7% on an after tax basis was applied in discounting cash flows. The discount rate used was based on the Group's weighted average cost of capital.

The estimated net discounted cash flows indicate no impairment of goodwill or the TV license of ZAO Yuzhny Region – Telekommunicacii as at 31 December 2007.

Although no impairment loss was recognised in respect of the goodwill and the TV broadcasting license, the determination of recoverable amount is sensitive the assumed annual sales growth. If actual growth of sales volumes is lower than projected by 10%, the recoverable amount is still higher than the total carrying value of goodwill and intangible assets.

20 Other assets

Other assets represent contracts for the acquisition of property in the amount of RUR 57 million/ USD* 2 million (2006: RUR 28 million/USD*1 million) for the construction of apartments in residential buildings in Moscow and Moscow region and are stated at cost. Group management assessed their fair values as at 31 December 2007 to be RUR 95 million/USD* 4 million. The fair values have been determined by reference to the market prices. There were no sales of similar assets during 2007.

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21 Other investments

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Non-current				
Investments designated at fair value through profit and loss	901	432	37	18
Loans granted by the OJSC Burg Capital Bank to third parties	11	-	-	-
	912	432	37	18
Current				
Investments held for trading	2,840	30	116	1
Bank promissory notes held to maturity	134	257	5	10
Investments designated at fair value through profit and loss	24	-	1	-
Loans granted to third parties	8	-	1	-
Loans granted to related parties	32	-	1	
Loans granted to third party, at 3% effective interest rate	-	70	-	3
Loans granted to executive directors, at 8.7%-9.75% effective interest rate	-	20	-	1
Loans granted to third parties, at 6% effective interest rate	-	14	-	1
	3,038	391	124	16

Non-current investments designed at fair value through profit and loss include investments in mutual funds.

Investments held-for-trading include shares and promissory notes of Russian companies which are traded on the RTS and Moscow Stock Exchange. The bank promissory notes were redeemed in the first quarter 2008 in full.

The current loan of RUR 14 million /USD* 1 million as at 31 December 2006 was made to OOO Media Design. On 31 January 2007 OOO Media Design became a subsidiary of the Group (note 8) and the balance was eliminated on consolidation.

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22 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Mln RUR	**Assets**		**Liabilities**		**Net**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Property, plant and equipment	-	3	(44)	(49)	(44)	(46)
Intangible assets	-	-	(114)	(37)	(114)	(37)
Investments	3	-	(2)	(5)	1	(5)
Inventories	1	2	-	(1)	1	1
Trade and other receivables	9	4	(12)	(2)	(3)	2
Prepaid expenses	16	-	-	(1)	16	(1)
Tax loss carry forwards	69	-	-	-	69	-
Tax assets/(liabilities)	98	9	(172)	(95)	(74)	(86)
Set off of tax	(98)	(9)	98	9	-	-
Net tax liabilities	-	-	(74)	(86)	(74)	(86)

Mln USD*	**Assets**		**Liabilities**		**Net**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Property, plant and equipment	-	-	(2)	(2)	(2)	(2)
Intangible assets	-	-	(5)	(2)	(5)	(2)
Investments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Prepaid expenses	1	-	-	-	1	-
Tax loss carry forwards	3	-	-	-	3	-
Tax assets/(liabilities)	4	-	(7)	(4)	(3)	(4)
Set off of tax	(4)	-	4	-	-	-
Net tax assets/(liabilities)	-	-	(3)	(4)	(3)	(4)

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(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2007	2006	2007	2006
	Mln RUR	Mln RUR	Mln USD*	Mln USD*
Tax loss carry-forwards	29	-	1	-

The tax losses expire in 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

(c) Movement in temporary differences during the year

Mln RUR	1 January 2006	Recognised in income	31 December 2006
Property, plant and equipment	(55)	9	(46)
Intangible assets	(42)	5	(37)
Investments	(1)	(4)	(5)
Inventories	-	1	1
Trade and other receivables	(13)	15	2
Prepaid expenses	10	(11)	(1)
Tax loss carry-forwards	16	(16)	-
	(85)	(1)	(86)

Mln RUR	1 January 2007	Recognised in income	Acquired through business combinations	Disposed of in discontinued operation (note 7)	31 December 2007
Property, plant and equipment	(46)	(1)	-	3	(44)
Intangible assets	(37)	(81)	-	4	(114)
Investments	(5)	5	-	1	1
Inventories	1	-	-	-	1
Trade and other receivables	2	5	(11)	1	(3)
Prepaid expenses	(1)	14	3	1	16
Tax loss carry-forwards	-	69	-	-	69
	(86)	12	(8)	10	(74)

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Mln USD*	1 January 2006	Recognised in income	31 December 2006
Property, plant and equipment	(2)	-	(2)
Intangible assets	(2)	-	(2)
Investments	-	-	-
Inventories	-	-	-
Trade and other receivables	(1)	1	-
Prepaid expenses	-	-	-
Tax loss carry-forwards	1	(1)	-
	(4)	-	(4)

Mln USD*	1 January 2007	Recognised in income	Acquired through business combinations	Disposed of in discontinued operation (note 7)	31 December 2007
Property, plant and equipment	(2)	-	-	-	(2)
Intangible assets	(2)	(3)	-	-	(5)
Investments	-	-	-	-	-
Inventories	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
Prepaid expenses	-	1	-	-	1
Tax loss carry-forwards	-	3	-	-	3
	(4)	1	-	-	(3)

(d) Unrecognised deferred tax liability

At 31 December 2007 a deferred tax liability for temporary differences of RUR 1,547 million/ USD* 63 million (2006: RUR 3,151 million/USD* 128 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.

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23 Inventories

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Raw materials and consumables	12	47	1	2
Work in progress	6	8	-	-
Goods for resale	19	33	1	2
Finished goods	4	-	-	-
	41	88	2	4

In 2007 the Group wrote off inventories of RUR 21 million/ USD* 0.9 million (2006: RUR 9 million/ USD* 0.3 million).

24 Trade and other receivables

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Trade accounts receivable	989	895	40	37
Other prepayments	197	56	8	2
VAT receivable	42	17	2	1
Deferred expenses	30	7	1	-
Interest receivable	3	4	-	-
Other receivables	325	68	13	3
	1,586	1,047	64	43
Provision for doubtful debts	(52)	(18)	(2)	(1)
Trade accounts receivable	1,534	1,029	62	42

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 32.

Other receivables of RUR 325 million/ USD* 13 million include short-term loans issued by OJSC Burg Capital Bank to its customers of RUR 256 million/USD* 10 million and advances paid to a broker for the acquisition of traded securities for the Group of RUR 68 million/USD* 3 million.

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25 Cash and cash equivalents

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Deposits	1,850	868	75	35
Cash in bank and on hand	1,459	1,033	60	42
Cash held by brokers	371	1,587	15	65
Cash and cash equivalents in the statement of cash flows	3,680	3,488	150	142

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.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 32.

26 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	Ordinary shares 2007	Ordinary shares 2006
Authorised shares	119,260,000	119,260,000
Par value	RUR 0.001	RUR 0.001
On issue at beginning of year	119,260,000	115,000,000
Issued for cash	20,740,000	4,260,000
On issue at end of year, fully paid	140,000,000	119,260,000

(b) Additional share issue

In 2007 the Company issued 20,740,000 additional ordinary shares with a par value of RUR 0.001 for RUR 4,584 million/USD* 187 million in cash. Transaction costs of RUR 89 million/USD* 3.6 million were incurred.

(c) Treasury shares

At the balance sheet date the Group held 1,278,501 (2006: 4,793,000) of its own shares.

(d) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2007, the Company had cumulative retained earnings, including the loss for the current year, of RUR 11 million/USD* 0.5

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million (2006: RUR 57 million/ USD*2 million). No dividends have been recommended by the directors.

(e) ADR issue

The Group established a Level-1 ADR program (ticker symbol: RINFY, CISIP number: 75523Q102) for its common stock on 24 March 2005 through the Bank of New York; one ADR represents four ordinary shares of the Company. ADRs 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 at 31 December 2007 10,418,384 (2006: 13,419,840) of the Company's shares were reserved for ADRs in depository by the Bank of New York.

27 (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share as at 31 December 2007 was based on the profit for the year and the weighted average number of ordinary shares outstanding during the year of 116,739 thousand (2006: 114,349 thousand), calculated as follows:

In thousands of shares	**2007**	**2006**
Issued shares at 1 January	119,260	115,000
Effect of own shares held	(4,793)	(581)
Effects of warrants exercised in January	-	110
Effects of own shares acquired in March	(180)	(2,925)
Effect of shares issued in April	-	3,373
Effects of shares acquired in April	-	(578)
Effects of shares acquired in July	-	(50)
Effects of options exercised in August	280	-
Effects of shares purchased in November	(3)	-
Effects of options exercised in November	614	-
Effects of shares issued in December	1,561	-
Weighted average number of shares at 31 December	116,739	114,349

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The weighted average of potentially dilutive ordinary shares of 224 thousand shares (2006: 4,793 thousand shares) was taken into account in the calculation of diluted (loss)/earnings per share. The weighted average number of ordinary shares including dilutive potential shares outstanding during 2007 of 116,963 thousand (2006: 119,073 thousand) was calculated as follows:

In thousands of shares	**2007**	**2006**
Weighted average number of shares	116,739	114,349
Effect of dilutive potential ordinary shares to be issued under share option program of July 2002	224	3,673
Effect of dilutive potential ordinary shares to be issued under share option program of July 2006	-	1,051
Weighted average number of shares at 31 December	116,963	119,073

28 Provisions

In 2006 Russian tax authorities challenged the economic justification for the Group's transactions with certain suppliers in one month of 2005, and claimed additional tax payments for that period. As disclosed in the table below, as at 31 December 2006 the Group recognized a provision for additional tax liabilities, which could be assessed as a result of transactions with such suppliers for all periods open for review by the Russian tax authorities. As at 31 December 2007 the Group has released a portion of such provision in the amount of RUR 22 million/ USD* 1 million, relating to transactions with those suppliers in 2004.

Subsequent to the disposal of certain subsidiaries (note 7) the Group provided internet advertising services to the discontinued operation amounting to RUR 73 million/ USD* 3 million. The way these transactions were structured could be challenged by the Russian tax authorities. If such challenge were successful, it would result in the assessment of additional income tax, value added tax, penalties and late-payment interest amounting to approximately RUR 43 million/ USD* 2 million. Such amount has been provided in full during the year ended 31 December 2007.

In addition, the Group provided for additional tax liabilities of RUR 6 million/ USD* 0.2 million which could be levied on the Group in respect of the allocation of advertising revenue among different Group entities in different tax jurisdictions.

	2007	**2006**	**2007**	**2006**
	Mln RUR	**Mln RUR**	**Mln USD***	**Mln USD***
VAT	18	17	1	1
Late-payment interest and penalties related to VAT	8	5	-	-
Income tax	32	22	1	1
Late-payment interest and penalties related to income tax	15	6	1	-
	73	50	3	2

The change in provisions for VAT and related late-payment interest and penalties was recognised in cost of sales. The change in provisions for income tax and related late-payment interest and penalties was recognised in income tax expense.

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29 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risks see note 32.

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Non-current liabilities				
Credit linked notes at 9.5% (a)	-	2,630	-	107
Unsecured bank loan	-	4	-	-
	-	2,634	1	107
Current liabilities				
Credit linked notes at 9.5% (a)	2,460	-	100	-
Current portion of the credit linked notes at 11.25 % (c)	1,104	-	45	-
Unsecured bank loans (b)	258	137	11	6
Unsecured borrowings (d)	32	158	1	6
Other	6	-	-	-
	3,860	295	157	12

(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 at the lender's option 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 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 issue to 31 December 2006, 102.5% during the year 2007, 101.5% from 1 January 2008 to 7 June 2008 at par from 7 June 2008 onwards.

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.

In June 2008 amount of RUR 1,387 million/USD* 56 million of the principal amount was repaid to the lender upon its put option.

(b) Unsecured bank loans

The unsecured USD-denominated bank loan of RUR 128 million/USD* 5 million was received from ABN-Amro Bank at a floating interest rate of LIBOR+5%, maturing in 2008.

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In 2007 the Group raised a new RUR-denominated unsecured bank loan of RUR 130 million/USD* 5 million with Bank Narodny Credit at a fixed interest rate of 9%, maturing in 2008.

(c) Current portion of the credit linked notes at 11.25 %

The unsecured bank loan of RUR 1,104 million/USD* 45 million was received in December 2007 from Barclays Capital Bank at a fixed rate 11.25%, maturing in November 2008. The Company and its subsidiaries ZAO RosBusinessConsulting, Ad Net Limited, ZAO IPK Media Production, Mohiville Corporation, ZAO RBC-TV guaranteed the repayment of the loan.

(d) Unsecured current borrowings

Other unsecured current borrowings include RUR 13 million/USD* 0.5 million loans acquired in business combinations (note 8(b)) and other loans amounting RUR 19 million/USD* 1 million granted by third parties.

30 Trade and other payables

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Trade accounts payable	554	832	23	34
Current accounts and deposits from customers	392	-	16	-
Payable for minority interest in subsidiaries	408	-	17	-
Advances received	227	147	9	6
Payables for the acquired shares in a subsidiary	-	27	-	1
Deferred income	1	-	-	-
Other taxes payable	60	20	2	1
Other payables and accrued expenses	136	50	7	2
	1,778	1,076	72	44

Current accounts and deposits from customers of RUR 392 million/ USD* 16 million relate to the balances of OJSC Burg Capital Bank acquired in 2007 (note 8(a)).

Payables for minority interests in subsidiaries of RUR 408 million/ USD* 17 million were recognised in the amounts of RUR 382 million/ USD* 16 million and RUR 25 million/ USD* 1 million to recognise the put options of the minority shareholders of EDI S Press (note 8(i)) and OOO Fidel Solutions (note 8(b)).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 32.

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31 Share-based payments

(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 maximum 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 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 top managers.

In 2007 2,500,000 shares out of 2,750,000 shares maximum available to members of the Board of directors were realised at a price of RUR 26.42/USD* 1.08 per share. The share options for the remaining 250,000 shares were exercised in 2008. All of 1,260,000 shares attributable to top management were granted to them at zero exercise price.

(b) Share option program set up in 2006

In July 2006 the Compensation Committee of the Group set up another option program for the members of the Board of Directors and a top manager.

Under this program within a 3-year period the members of the Board of Directors, provided that they continue working in the Company's Board of Directors during the service period, have an option to purchase in total up to 2,500,000 shares for USD 10.5 per share, which is 150% of the market price as at the grant date.

Due to the disposal of the IT business in 2007 (note 7), the Compensation Committee of the Group reduced the exercise price to 9.2 USD per share. Other conditions of the share program remained unchanged.

In 2007 one of the top managers ceased to be on the Board of Directors and 166,667 of the options were forfeit.

In 2007 the Group recognised employee compensation expense of RUR 34 million/ USD* 1.4 million (2006: 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 has determined fair values of the 3 share options programs at the grant date as RUR 6.39/ USD*0.26, RUR 25.19/ USD*1.03 and RUR 25.19/ USD*1.03 for the one-, two- and three-year vesting periods, respectively.
- The Group has determined the incremental fair value due to the change of the exercise price as RUR 36.38/ USD*1.49, RUR 36.38/ USD*1.49 and RUR 36.38/ USD*1.49 for the one-, two- and three-year vesting periods, respectively. The incremental fair values are allocated over the residual vesting periods for each of the 3 share option programs.

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- 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 62.4%, 62.4% and 62.4% for the one-, two- and three-year vesting periods, respectively. Management of the Group estimates that participants of the program will exercise their share options closer to the end of the option program.

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

(c) Share option program for middle management and key employees

In 2006 the Group approved a motivation program for middle management and key employees of the Group's media departments until the end of 2009. To fund this program, the Group intends to use 1,000,000 treasury shares which were purchased by the Group earlier.

The Group has not recognised employee compensation expense in relation to this program because the terms of the program have not yet been sufficiently defined.

32 Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount Mln RUR 2007	Carrying amount Mln USD* 2007	Carrying amount Mln RUR 2006	Carrying amount Mln USD* 2006
Current financial assets				
Financial assets at fair value through profit or loss	2,864	117	30	1
Held-to-maturity investments	134	5	257	11
Loans granted	39	2	104	4
Trade and other receivables	1,265	52	881	36
Cash and cash equivalents	3,680	150	3,488	142
Non-current financial assets				
Loans granted	11	-	-	-
Financial assets at fair value through profit or loss	901	37	432	18
Total financial assets	8,894	362	5,192	212

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The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	Carrying amount	Carrying amount	Carrying amount *
	Mln RUR	Mln USD*	Mln RUR	Mln USD*
	2007	2007	2006	2006
Russia	649	26	783	32
Europe	288	12	94	4
	937	38	877	36

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
Mln RUR	2007	2007	2006	2006
Not past due	699	-	861	-
Past due 0-180 days	238	-	16	-
Past due 180-365 days	-	-	-	-
More than one year	52	(52)	18	(18)
	989	(52)	895	(18)

	Gross	Impairment	Gross	Impairment
Mln USD*	2007	2007	2006	2006
Not past due	28	-	35	-
Past due 0-180 days	10	-	1	-
Past due 180-365 days	-	-	-	-
More than one year	2	(2)	1	(1)
	40	(2)	37	(1)

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The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007	2007	2006	2006
	Mln RUR	Mln USD*	Mln RUR	Mln USD*
Balance at 1 January	(18)	(1)	(9)	-
Allowance for impairment loss utilised	8	-	-	-
Impairment loss recognised	(42)	(1)	(9)	(1)
Balance at 31 December	(52)	(2)	(18)	(1)

Based on the historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 180 days.

The allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 31 December 2007 the Group does not have any collective impairments on its trade receivables (2006: nil).

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

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments and excluding the impact of netting agreements:

	Average interest rate									
Mln RUR 2007	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	0%	0%	(1,208)	(342)	-	-	-	-	-	(1,550)
Loans and borrowings, current	9-12%	9-12%	(1,400)	(2,460)	-	-	-	-	-	(3,860)
Total non-derivative financial liabilities			(2,608)	(2,802)	-	-	-	-	-	(5,410)

	Average interest rate									
Mln USD* 2007	**Contractual**	**Effective**	**6-12 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	0%	0%	(49)	(14)	-	-	-	-	-	(63)
Loans and borrowings, current	9-12%	9-12%	(57)	(100)	-	-	-	-	-	(157)
Total non-derivative financial liabilities			(106)	(114)	-	-	-	-	-	(220)

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

	Average interest rate									
Mln RUR 2006	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	0%	0%	(498)	(531)	-	-	-	-	-	(1,029)
Loans and borrowings, current	9-12%	9-12%	(137)	(158)	-	-	-	-	-	(295)
Loans and borrowings, non-current	9.5%	9.5%	-	-	(2,634)	-	-	-	-	(2,634)
Total non-derivative financial liabilities			(635)	(689)	(2,634)	-	-	-	-	(3,958)

	Average interest rate									
Mln USD* 2006	**Contractual**	**Effective**	**6-12 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	0%	0%	(20)	(22)	-	-	-	-	-	(42)
Loans and borrowings, current	9-12%	9-12%	(6)	(6)	-	-	-	-	-	(12)
Loans and borrowings, non-current	5-12%	5-12%	-	-	(107)	-	-	-	-	(107)
Total non-derivative financial liabilities			(26)	(28)	(107)	-	-	-	-	(161)

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

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Mln RUR	RUR - denominated 2007	USD - denominated 2007	Euro - denominated 2007
Financial assets			
Financial assets at fair value through profit or loss	-	2,207	-
Loans granted	-	4	-
Trade and other receivables	-	1,056	-
Cash and cash equivalents	2	69	83
Total financial assets	2	3,336	83
Financial liabilities			
Trade and other payables	-	(75)	(1)
Loans and borrowings	(4)	(3,701)	-
Total financial liabilities	(4)	(3,776)	(1)
	(2)	(440)	83

Mln USD*	RUR - denominated 2007	USD - denominated 2007	Euro - denominated 2007
Financial assets			
Financial assets at fair value through profit or loss	-	90	-
Loans granted	-	-	-
Trade and other receivables	-	43	-
Cash and cash equivalents	-	3	3
Total financial assets	-	136	3
Financial liabilities			
Trade and other payables	-	(3)	-
Loans and borrowings	-	(151)	-
Total financial liabilities	-	(154)	-
	-	(18)	3

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

Mln RUR	RUR - denominated 2006	USD - denominated 2006	Euro - denominated 2006
Financial assets			
Financial assets at fair value through profit or loss	347	-	-
Loans granted	-	-	-
Trade and other receivables	1	83	-
Cash and cash equivalents	1	4	567
Total financial assets	349	88	567
Financial liabilities			
Trade and other payables	-	(151)	(6)
Loans and borrowings	-	(137)	-
Total financial liabilities	-	(288)	(6)
	349	(200)	561

Mln USD*	RUR - denominated 2006	USD - denominated 2006	Euro - denominated 2006
Financial assets			
Financial assets at fair value through profit or loss	14	-	-
Loans granted	-	-	-
Trade and other receivables	-	3	-
Cash and cash equivalents	-	-	23
Total financial assets	14	3	23
Financial liabilities			
Payables	-	(6)	-
Loans and borrowings	-	(6)	-
Total financial liabilities	-	(12)	-
	14	(9)	23

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

The following significant exchange rates applied at the year-end:

	1 USD equals	1 Euro equals
	31 December 2007	31 December 2007
RUR	24.5462	35.9332

(d) Interest risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount Mln RUR	Carrying amount Mln USD*	Carrying amount Mln RUR	Carrying amount Mln USD*
	2007	2007	2006	2006
Fixed rate instruments				
Financial assets	2,508	102	361	15
Financial liabilities	(3,732)	(152)	(2,792)	(114)
	(1,224)	(50)	(2,431)	(99)
Variable rate instruments				
Financial liabilities	(128)	(5)	(137)	(6)
	(128)	(5)	(137)	(6)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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(e) Sensitivity analysis

		Interest rate risk sensitivity		Currency risk sensitivity		Other price risk sensitivity	
		+200 basis points	-200 basis points	+10%	-10%	+10%	-10%
2007 Mln RUR	**Carrying amount**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**
Current financial assets							
Financial assets at fair value through profit or loss	2,864	(50)	50	205	(205)	286	(286)
Trade and other receivables	1,265	-	-	106	(106)	-	-
Cash and cash equivalents	3,680	-	-	71	(71)	-	-
Non-current financial assets						-	-
Financial assets at fair value through profit or loss	901	-	-	-	-	90	(90)
Impact on financial assets before tax		(50)	50	382	(382)	376	(376)
Income tax (24%)		12	(12)	(92)	92	(90)	90
Impact on financial assets after tax		(38)	38	290	(290)	286	(286)
Current financial liabilities							
Payables	(1,336)	-	-	(8)	8	-	-
Loans and borrowings	(3,860)	77	(77)	(370)	370	-	-
Impact on financial liabilities before tax		77	(77)	(378)	378	-	-
Income tax (24%)		(18)	18	91	(91)	-	-
Impact on financial liabilities after tax		59	(59)	(287)	287	-	-
Total increase/(decrease)		21	(21)	3	(3)	286	(286)

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

2007 Mln USD*	**Carrying amount**	**Interest rate risk sensitivity**		**Currency risk sensitivity**		**Other price risk sensitivity**	
		+200 basis points	-200 basis points	+10%	-10%	+10%	-10%
		Profit/(loss)	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**
Current financial assets							
Financial assets at fair value through profit or loss	117	(2)	2	8	(8)	12	(12)
Trade and other receivables	52	-	-	4	(4)	-	-
Cash and cash equivalents	150	-	-	3	(3)	-	-
Non-current financial assets							
Financial assets at fair value through profit or loss	37	-	-	-	-	4	(4)
Impact on financial assets before tax		(2)	2	15	(15)	16	(16)
Income tax (24%)		-	-	(4)	4	(4)	4
Impact on financial assets after tax		(2)	2	11	(11)	12	(12)
Current financial liabilities							
Payables	(54)	-	-	-	-	-	-
Loans and borrowings	(157)	3	(3)	(15)	15	-	-
Impact on financial liabilities before tax		3	(3)	(15)	15	-	-
Income tax (24%)		(1)	1	4	(4)	-	-
Impact on financial liabilities after tax		2	(2)	(11)	11	-	-
Total increase/(decrease)		-	-	-	-	12	(12)

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

2006 Mln RUR	**Carrying amount**	**Interest rate risk (basis points)** +200 Profit/ (loss)	**Interest rate risk (basis points)** -200 Profit/ (loss)	**Foreign exchange risk** +10% Profit/ (loss)	**Foreign exchange risk** -10% Profit/ (loss)	**Other price risk** +10% Profit/ (loss)	**Other price risk** -10% Profit/ (loss)
Current financial assets							
Investments held for trading	30	-	-	-	-	3	(3)
Held-to-maturity investments	257	-	-	-	-	26	(26)
Loans granted	104	-	-	7	(7)	-	-
Trade and other receivables	1,029	-	-	46	(46)	-	-
Cash and cash equivalents	3,488	-	-	286	(286)	-	-
Non-current financial assets						-	-
Financial assets at fair value through profit or loss	432	-	-	-	-	43	(43)
Impact on financial assets before tax		-	-	339	(339)	72	(72)
Income tax (24%)		-	-	(81)	81	(17)	17
Impact on financial assets after tax		-	-	258	(258)	55	(55)
Current financial liabilities							
Payables	(1,048)	-	-	(19)	19	-	-
Loans and borrowings	(295)	6	(6)	(29)	29	-	-
Non-current financial liabilities					-	-	-
Loans and borrowings	(2,634)	53	(53)	(263)	263	-	-
Impact on financial liabilities before tax		59	(59)	(311)	311	-	-
Income tax (24%)		(14)	14	75	(75)	-	-
Impact on financial liabilities after tax		45	(45)	(236)	236	-	-
Total increase / (decrease)		45	(45)	22	(22)	55	(55)

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

		Interest rate risk (basis points)		Foreign exchange risk		Other price risk	
		+200	-200	+10%	-10%	+10%	-10%
2006 Mln USD*	**Carrying amount**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**	**Profit/ (loss)**
Current financial assets							
Investments held for trading	1	-	-	-	-	-	-
Held-to-maturity investments	10	-	-	-	-	1	(1)
Loans granted	4	-	-	-	-	-	-
Trade and other receivables	42	-	-	2	(2)	-	-
Cash and cash equivalents	142	-	-	12	(12)	-	-
Non-current financial assets							
Financial assets at fair value through profit or loss	18	-	-	-	-	2	(2)
Impact on financial assets before tax		-	-	14	(14)	3	(3)
Income tax (24%)		-	-	(3)	3	(1)	1
Impact on financial assets after tax		-	-	11	(11)	2	(2)
Current financial liabilities							
Payables	(43)	-	-	(1)	1	-	-
Loans and borrowings	(12)	-	-	(1)	1	-	-
Non-current financial liabilities							
Loans and borrowings	(107)	2	(2)	(11)	11	-	-
Impact on financial liabilities before tax		2	(2)	(13)	13	-	-
Income tax (24%)		-	-	3	(3)	-	-
Impact on financial liabilities after tax		2	(2)	(10)	10	-	-
Total increase/(decrease)		2	(2)	1	(1)	2	(2)

The above changes to interest rates, foreign currency exchange rates and market prices have no impact on equity.

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(f) Fair values

Management believes that the fair value of the Group's financial assets and liabilities as at 31 December 2007 and 31 December 2006 approximates their carrying amounts. The methods used to determine fair values are disclosed in note 4.

33 Commitments

As at 31 December 2007 the Group has committed to transfer cash in the amount of RUR 74 million/ USD*3 million and to provide free advertising services on RBC media resources at the value of RUR 123 million/ USD* 5 million to its subsidiary OOO Fidel Solutions acquired in 2007 (note 8(b)). The timing of the cash transfer and the provision of advertising services has not yet been agreed between the Group and minority shareholders of OOO Fidel Solutions.

34 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.

(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

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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, the amounts involved, including penalties and late-payment interest, could be material. The Group has recognised in these consolidated financial statements a provision for additional taxes and penalties, relating to payments to certain suppliers (note 28). A portion of this provision in the amount of RUR 22 million/ USD*1 million, recognized in prior years, was released in the year ended 31 December 2007 (note 28) and is currently considered to be a contingent liability.

The Group has a number of foreign subsidiaries. By means of revenue and expense allocation arrangements among Group companies in different jurisdictions, the Group's income tax liabilities are reduced (refer note 15). Such arrangements may be challenged by the tax authorities in Russia. Should such challenge be successful, it 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.

Prior to December 2007 the Group used various remuneration plans for employees' compensation. Some of these may be challenged by the tax authorities in Russia for inconsistency 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.

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 28, as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

35 Related party transactions

(a) Control relationships

The Group has a controlling relationship with all of its subsidiaries (see note 36 for a list of significant subsidiaries).

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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 benefit. They also have a number of other business interests outside the Group.

(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 72 million/USD* 3 million (2006: RUR 25 million/USD*1 million) which is included in personnel costs (see note 13). Additionally, in 2007 key management entitled to the share options per the share option program approved in 2002, exercised their share options in full (see note 31(a)).

(ii) Other transactions

Current loans granted to executive directors amounting RUR 12 million/USD* 0.5 million were repaid to the Group in full in 2007.

(c) Transactions with other related parties

The Group's other related party transactions which, except where indicated otherwise, are with companies controlled by the Company's Board of Directors, are disclosed below.

Mln RUR	Transaction value 2007	Outstanding balance 2007	Transaction value 2006	Outstanding balance 2006
Advertising services provided	191	28	24	-
Loans granted	1,261	188	6	20
Software development services received	8	35	72	28
Advertising services received	-	-	120	-
Sales of treasury shares	112	-	-	-
Sales of Armada shares to existing shareholders	204	-	-	-
Shares option compensation programs	21	20	-	-
Loan received	-	-	150	141
Other revenues	1	1	-	-
Technical support services received	5	1	-	-
Other expenses	29	1	-	-
Development of internet site services received	11	-	-	-
Agent's revenue	75	-	-	-
Lease receivable	-	-	-	8

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

Mln USD*	Transaction value 2007	Outstanding balance 2007	Transaction value 2006	Outstanding balance 2006
Advertising services provided	8	1	1	-
Loans granted	51	8	-	1
Software development services received	-	1	3	1
Advertising services received	-	-	5	-
Sales of treasury shares	5	-	-	-
Sales of Armada shares to existing shareholders	8	-	-	-
Shares option compensation programs	1	1	-	-
Loan received	-	-	6	6
Other revenues	-	-	-	-
Technical support services received	-	-	-	-
Other expenses	1	-	-	-
Development of internet site services received	-	-	-	-
Agent's revenue	3	-	-	-
Lease receivable	-	-	-	-

(d) Pricing policies

Related party transactions are not based on market prices.

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36 Significant subsidiaries

		Ownership/voting	
	Country of incorporation	2007	2006
ZAO RosBusinessConsulting	Russia	100%	100%
RBC Investments (Cyprus) Limited	Cyprus	100%	100%
AdNet Limited	Cyprus	100%	100%
ZAO RBC Soft (note 7)	Russia	-	100%
OOO RBC Center (note 7)	Russia	-	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 7)	Russia	-	51%
OOO Global Media Solutions	Russia	100%	-
OOO Ad Line	Russia	100%	-
OOO Loveplanet (note 8(g))	Russia	41%	-
Valento Commerce (note 8(g))	British Virgin Islands	75%	-
OOO AdSell	Russia	100%	-
OOO Garant-Park-Telecom (note 8(c))	Russia	86%	-
OOO Hosting-Center (note 8(c))	Russia	100%	-
OOO Konkord (note 8(c))	Russia	100%	-
ZAO Salon Press	Russia	60%	60%
ZAO Izdatelsky Dom Salon Press	Russia	60%	60%
ZAO Reklamnoe Agentstvo Eidos	Russia	60%	60%
ZAO Centrohost	Russia	100%	-
Art Technology Ltd. (former RBC International, note 7)	Hong Kong	-	100%
Mohiville Corporation	Netherland Antilles	100%	100%
Eidos Marketing	British Virgin Islands	60%	60%
OJSC Burg Capital Bank (note 8(a))	Russia	100%	-

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37 Events subsequent to the balance sheet date

(a) Business environment

Subsequent to the reporting date, Russian financial markets, influenced by global trends, experienced substantial liquidity stress. This is likely to affect the assumptions, estimates and judgements used by management in preparing the consolidated financial statements for the year ending 31 December 2008. In particular, intangible assets and trade accounts receivable are likely to have suffered impairments and investments designated at fair value through profit and loss have declined substantially in value. All intangible assets will be subject to an impairment test during the year ending 31 December 2008.

(b) Loan issued

Subsequent to 31 December 2007 the Group issued a loan of RUR 1,129 million/USD*46 million to a related party controlled by the principal shareholders of the Group (note 35(a)). The loan was issued in tranches which have fixed interest rates of 5% to 15% and mature during the period from October 2008 to September 2009.

(c) Partial repayment of credit linked notes

In June 2008 the Group repaid a part of principal amount of RUR 1,387 million/USD* 56 million to Dresdner Bank AG upon its notice (note 29(a)).

(d) Bonds issued in March 2008

In March 2008 the Group issued 1,500,000 unconvertible bonds at RUR 0.01 million par value for a total consideration of RUR 1,500 million/USD*61 million. The bonds bear a fixed coupon of 12.25% per annum and mature in March 2009. The coupon yield is to be paid in full upon maturity. In placing the bonds, transaction costs of RUR 4 million/USD* 0.18 million were incurred. The bonds are traded on MICEX.

(e) Treasury shares

Subsequent to 31 December 2007, the Group purchased 3,714,243 shares of the Company for RUR 715 million/USD* 29 million and sold 250,000 shares for RUR 7 million/USD* 0.3 million.

(f) Bonds issued in July 2008

In July 2008 the Group issued 1,500,000 unconvertible bonds at RUR 0.01 million par value for a total consideration RUR 1,500 million/USD*61 million. The bonds bear a fixed coupon of 10.99% per annum and mature in July 2009. The coupon yield is to be paid in full upon maturity. In placing the bonds, transaction costs of RUR 4 million/USD* 0.18 million were incurred. The bonds are traded on MICEX.

(g) Hedge of interest rate

Subsequent to 31 December 2007 the Group entered into two forward currency agreements to reduce effective interest rates related to bonds issue in March 2008 (note 37(d)) and July 2008 (note 37(e)).

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According to the first agreement, the Group purchased USD 63 million at an exchange rate of 23.68 RUR/USD on date of the bonds issue in March 2008, and is obliged to sell USD 69 million in March 2009 at an exchange rate of 24.35 RUR/USD.

According to the second agreement, the Group purchased USD 63 million at an exchange rate of 23.7010 RUR/USD on date of the bonds issue in July 2008, and is obliged to sell USD 69 million in June 2009 at an exchange rate of 23.83 RUR/USD.

(h) Acquisition of minority interest of 20% in EDI S Press

Subsequent to 31 December 2007, the Group made a 50% prepayment for the acquisition of an additional 20% in EDI S Press which is the parent company of the Salon Group. The total consideration for the 20% of EDI S Press is RUR 191 million/USD* 7.8 million. The remaining consideration was paid in 2008. Management of the Group believes that the acquisition will be completed in 2008.

(i) Acquisition of 50% in a media company

Subsequent to 31 December 2007 the Group acquired 50% of a regional media company, which owns a business newspaper and a website, for RUR 51 million/ USD*2 million. The Group intends to integrate the acquiree into its publishing segment. In 2007 the Group made a prepayment for this acquisition of RUR 50 million/ USD* 2 million.

(j) Payment for assets

Subsequent to 31 December 2007 the Group made the payment of RUR 17 million/USD* 1 million for a number of Internet resources constituting a business. Management of the Group expects to complete the acquisition by the end of 2008.

(k) Payment for shares in subsidiary

Subsequent to 31 December 2007 the Group paid RUR 693 million/USD* 28 million as the remaining part of purchase consideration for 40% shares in company owing a number of Internet resources.

(l) Acquisition of a regional TV company

Subsequent to 31 December 2007 the Group acquired 100% of a regional TV broadcasting company for a total consideration of RUR 185 million/USD* 7.5 million.

(m) Prepayment for 10% shares in Valento Commerce Ltd.

Subsequent to 31 December 2007 the Group made a prepayment for 10% shares in Valento Commerce Ltd. (note 8(ii)) in the amount of RUR 280 million/USD * 11 million. Management of the Group expects the acquisition of 10% shares to be completed by the end of 2008.

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