OPEN JOINT STOCK COMPANY
“TRANSCONTAINER”

Consolidated Financial Statements
For the Year Ended 31 December 2009

OJSC "TRANSCONTAINER"

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of OJSC "TransContainer" (the "Company"), its joint venture and subsidiary (the "Group") as of 31 December 2009, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2009 were approved by Management on 15 May 2010.

On behalf of the Management:

P. V. Baskakov	**K. S. Kalmykov**
General Director	Chief Accountant

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Moscow, 125047
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INDEPENDENT AUDITORS’ REPORT

To the Shareholders and Board of Directors of Open Joint Stock Company “TransContainer”:

We have audited the accompanying financial statements of Open Joint Stock Company “TransContainer”, its subsidiary and its joint venture (the “Group”), which comprise the consolidated statement of financial position as of 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2009, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw your attention to Note 25 to the consolidated financial statements which disclose a significant concentration of the Group's transactions with related parties.

Deloitte & Touche CIS

15 May 2010

OJSC "TRANSCONTAINER"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009
(Amounts in thousands of Russian Roubles)

	Notes	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	23,096,687	22,059,954
Advances for acquisition of non-current assets	7	2,308,480	2,276,366
Intangible assets		101,566	75,887
Long-term investments	8	206,498	303,504
Total non-current assets		**25,713,231**	**24,715,711**
Current assets			
Inventory		133,147	146,542
Trade and other receivables	9	1,941,260	1,640,835
Prepayments and other current assets	10	2,263,320	1,957,423
Prepaid income tax		98,204	135,683
Short-term investments	11	143,006	-
Cash and cash equivalents	12	448,648	453,056
Total current assets		**5,027,585**	**4,333,539**
TOTAL ASSETS		**30,740,816**	**29,049,250**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	13,894,778	13,894,778
Reserve fund	13	282,703	148,691
Other reserves	13	(2,220,634)	(2,220,634)
Retained earnings		6,486,488	6,298,922
Total equity		**18,443,335**	**18,121,757**
Non-current liabilities			
Long-term borrowings	14	1,519,840	-
Finance lease obligations, net of current maturities	15	1,114,607	832,405
Employee benefit liability	16	489,804	463,291
Deferred tax liability	24	1,516,354	1,619,019
Deferred income	15	48,810	-
Total non-current liabilities		**4,689,415**	**2,914,715**
Current liabilities			
Trade and other payables	17	3,172,384	4,057,360
Income tax payable		75,968	16,110
Taxes other than income tax payable	18	170,295	144,858
Provisions		-	30,083
Finance lease obligations, current maturities	15	793,522	356,762
Accrued and other current liabilities	19	184,209	319,679
Deferred income	15	59,549	-
Five-year RUR bonds, series 1	20	3,152,139	3,087,926
Total current liabilities		**7,608,066**	**8,012,778**
TOTAL EQUITY AND LIABILITIES		**30,740,816**	**29,049,250**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

15 May 2010

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in thousands of Russian Roubles, unless otherwise stated below)

	Notes	2009	2008
Revenue	21	16,399,942	20,493,892
Operating expenses, net	22	(14,726,177)	(15,569,577)
Operating income		**1,673,765**	**4,924,315**
Interest expense	23	(945,231)	(499,177)
Interest income		35,560	98,117
Foreign exchange gain, net		3,533	34,604
Profit before income tax		**767,627**	**4,557,859**
Income tax expense	24	(178,019)	(987,833)
Profit and comprehensive income for the year		**589,608**	**3,570,026**
Earnings per share, basic and diluted (Russian Roubles)		**42**	**257**
Weighted average number of shares outstanding	13	**13,894,778**	**13,894,778**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

15 May 2010

The accompanying notes form an integral part of these consolidated financial statements.

OJSC "TRANSCONTAINER"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in thousands of Russian Roubles)

	2009	2008
Cash flows from operating activities:		
Profit before income tax	**767,627**	**4,557,859**
Adjustments for:		
Depreciation and amortization	2,250,144	2,153,649
Change in provision for impairment of receivables	(25,018)	39,930
Gain on disposal of property, plant and equipment	(257,486)	(19,683)
Loss on impairment of property, plant and equipment	15,648	8,673
Loss from termination of finance lease	-	7,030
Interest expense, net	909,671	401,060
Foreign exchange gain, net	(3,533)	(34,604)
Change in provision for tax liabilities	(30,083)	30,083
Operating profit before working capital changes	**3,626,970**	**7,143,997**
Decrease/(increase) in inventory	13,395	(51,195)
Decrease/(increase) in trade and other receivables	457,518	(516,887)
Increase in prepayments and other current assets	(299,428)	(573,229)
(Decrease)/increase in trade and other payables	(457,398)	558,951
(Decrease)/increasein taxes other than income tax	(47,367)	7,602
Decrease in accrued and other current liabilities	(138,159)	(161,957)
Increase in employee benefit liabilities	26,513	124,464
Net cash from operating activities before income tax	**3,182,044**	**6,531,746**
Interest paid	(831,508)	(384,816)
Income tax paid	(183,347)	(1,281,474)
Net cash provided by operating activities	**2,167,189**	**4,865,456**
Cash flows from investing activities:		
Capital expenditure	(3,106,971)	(8,579,110)
Proceeds from disposal of property, plant and equipment	135,025	76,419
Purchase of long-term investments	(8,200)	(742)
Purchase of short-term investments	(88,129)	-
Proceeds from disposal of short-term investments	-	107,880
Proceeds from disposal of long-term investments	50,000	-
Purchase of intangible assets	(65,544)	(61,362)
Interest received	35,889	76,596
Net cash used in investing activities	**(3,047,930)**	**(8,380,319)**
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,521,251	1,000,000
Proceeds from long-term borrowings	1,519,840	-
Proceeds from five-year RUR bonds, series 1	2,855,037	2,973,568
Dividends paid	(268,030)	(153,259)
Repayments of finance lease obligations	(336,526)	(238,860)
Principal payments on short-term borrowings	(3,378,240)	(1,000,000)
Principal payments on five-year RUR bonds, series 1	(2,901,500)	-
Net cash provided by financing activities	**1,011,832**	**2,581,449**
Net increase / (decrease) in cash and cash equivalents	**131,091**	**(933,414)**
Cash and cash equivalents at beginning of the year	**453,056**	**1,351,866**
Foreign exchange (loss) / gain on cash and cash equivalents	(135,499)	34,604
Net cash and cash equivalents at end of the year	**448,648**	**453,056**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

15 May 2010

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “TRANSCONTAINER”

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in thousands of Russian Roubles)

	Share capital	Reserve fund	Other reserves	Retained earnings	Total
Balance at 1 January 2008	**13,894,778**	**72,099**	**(2,254,346)**	**2,958,747**	**14,671,278**
Profit for the year	-	-	-	3,570,026	3,570,026
Total comprehensive income for the year	**-**	**-**	**-**	**3,570,026**	**3,570,026**
Dividends	-	-	-	(153,259)	(153,259)
Transfer to reserve fund	-	76,592	-	(76,592)	-
Shareholder contribution (Note 15)	-	**-**	33,712	-	33,712
Balance at 31 December 2008	**13,894,778**	**148,691**	**(2,220,634)**	**6,298,922**	**18,121,757**
Profit for the year	-	-	-	589,608	589,608
Total comprehensive income for the year	-	-	-	**589,608**	**589,608**
Dividends	-	-	-	(268,030)	(268,030)
Transfer to reserve fund	-	134,012	-	(134,012)	-
Balance at 31 December 2009	**13,894,778**	**282,703**	**(2,220,634)**	**6,486,488**	**18,443,335**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

15 May 2010

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of Russian Roubles)

1. NATURE OF THE BUSINESS

OJSC "TransContainer" (hereinafter the "Company" or TransContainer) was incorporated as an open joint stock company in Moscow, Russian Federation on 4 March 2006. The Company was formed as a result of a spin-off by OJSC "Russian Railways" ("RZD"), which is 100% owned by the Russian Federation, of some of its activities and certain assets and liabilities related to container transportation into a separate legal entity. In connection with this spin-off RZD contributed to the share capital of the Company containers, flatcars, buildings and constructions in the amount of RUR 13,057,061 thousand, VAT receivable related to these assets of RUR 104,001 thousand, and cash of RUR 991,097 thousand. Furthermore, certain employees previously employed by RZD were hired by the Company. The Company assumed related employee benefit liabilities from RZD. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a freight forwarding agent.

TransContainer's principal activities include arrangement of rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 46 container terminals along the railway network in Russia. As of 31 December 2009 the Company operated 19 branches located in the Russian Federation. The registered office of the Company is located at 12, Novoryazanskaya Street, Moscow, 107228, Russian Federation.

The Company has ownership in the following entities:

				% interest held	
Name of Entity	**Type**	**Country**	**Activity**	**2009**	**2008**
Oy ContainerTrans Scandinavia	Joint venture	Finland	Container shipments	50	50
JSC TransContainer-Slovakia	Subsidiary	Slovakia	Container shipments	100	-

In June 2009 the Company established a 100% subsidiary, JSC "TransContainer-Slovakia". It was created to handle container shipments between Slovakia and Russia and to manage leased terminal "Dobra" located in Kosice, Slovak Republic.

The consolidated financial statements of OJSC "TransContainer", its subsidiary and its joint venture as of 31 December 2009 and for the year then ended were authorized for issue by the General Director of the Company on 15 May 2010.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company, its joint venture and subsidiary (together referred to as the "Group"). The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered.

The consolidated financial statements have been prepared under historical cost convention, except for the effects of assets acquired and liabilities assumed at the formation of the Company.

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRSs.

The consolidated financial statements are presented in thousands of Russian Roubles (“RUR”), except where specifically noted otherwise.

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business. As at 31 December 2009 the Group’s current liabilities exceeded its current assets by RUR 2,580,481 thousand. The Group’s current liabilities as of 31 December 2009 included Rouble bonds issued by the Company with a carrying value of RUR 3,152,139 thousand which were classified as current due to the existence of put option given to the bondholders exercisable in March 2010. As disclosed in Note 29, the Company bought back the bonds from the existing bondholders that decided to exercise their put option and sold them back to the market on the same day. After this transaction the bonds are no longer subject to a put option and therefore resulted in a reduction of the current liabilities by approximately RUR 3,152,000 thousand, and a corresponding increase in the Group’s working capital position. The Group continues to monitor its existing liquidity needs on an on-going basis. Although the current economic environment (see Note 27) might affect the profitability of the Group’s operations in the near term, management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The accounting policies have been applied consistently by all consolidated operating entities.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December each year. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 presently are exercisable or convertible 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 ceased.

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Interests in joint ventures – A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Company's interest in a jointly controlled entity is recognized using proportional consolidation whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group’s interest in the joint venture.

The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

Foreign currency translation – Russian Rouble is the functional currency of the Group and is also the currency in which these consolidated financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the year-end exchange rate. Exchange differences arising from such translation are included into the consolidated profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Rouble at foreign exchange rates ruling at the dates the fair value was determined.

Property, plant and equipment – Property, plant and equipment are recorded at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets under construction

Capital expenditures comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Advance payments made to acquire items of property, plant and equipment are shown separately on the consolidated statement of financial position and presented as non-current assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Capital expenditures are reviewed regularly to determine whether its carrying value is fairly stated.

Leased assets

Capitalized leased assets and operating leasehold improvements are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Owned land plots are not depreciated.

The estimated useful economic lives for property, plant and equipment are as follows:

	Number of years
Buildings	20-80
Constructions	10-45
Containers	10-15
Flatcars	28-32
Cranes and loaders	5-15
Vehicles	3-10
Other equipment	2-25

The assets' useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

Intangible assets – Intangible assets that are acquired by the Group represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives for existing assets range from 3 to 5 years.

Useful lives and amortization methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

Impairment of non-current assets – At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated profit or loss.

Financial assets – Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had financial assets classified as loans and receivables only.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account (provision for impairment of receivables).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

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

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash on hand, balances with banks and short-term interest-bearing deposits with original maturities of not more than three months.

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

Defined benefit plans

The Group operates two partially funded defined benefit pension plans. The obligation and cost of benefits under the plans are determined separately for each plan using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing pensions is charged to the consolidated profit or loss, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. Actuarial gains and losses are recognized as income or expense in full as they arise.

In addition, the Group provides certain other retirement and post retirement benefits to its employees. These benefits are not funded.

Upon introduction of a new plan or improvement of an existing plan past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested, past service cost is immediately expensed.

Defined contribution plans

In addition to the defined benefit plans described above, the Group also sponsors a defined contribution plan for certain of its employees. The Group's contributions relating to the defined contribution plan are charged to the consolidated profit or loss in the year to which they relate.

State Plan

In addition, the Group is legally obligated to make contributions to the Pension Fund of the Russian Federation (a multi-employer defined contribution plan). The Group's only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Pension Fund of the Russian Federation relating to defined contribution plans are charged to the consolidated profit or loss in the year to which they relate.

Contribution to the Pension Fund of the Russian Federation together with other social contributions are included within a unified social tax ("UST"), which is calculated by the application of a regressive rate from 26% to 2% to the annual gross remuneration of each employee. UST is allocated to three social funds (including the Pension Fund of the Russian Federation), where the rate of contributions to the Pension Fund of the Russian Federation varies from 20% to 2%, respectively, depending on the annual gross salary of each employee.

Value added tax – Output value added tax ("VAT") related to revenues is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided related input VAT which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost, using the effective interest method, with interest expense recognized on an effecitve yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from sales of inventories are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rail-based container shipping services

Rail-based transportation services provided by the Group primarily include arranging the transportation of its own and third-party containers by rail by means of provision of flatcars and/or containers and leasing of flatcars and containers to third parties. Revenues from these services are recognized in the accounting period in which the services are rendered, net of charges for third-party services. Revenues from operating lease of rolling stock are recognized on a straight-line basis over the term of operating lease agreements.

Through-rate shipments

Through-rate shipments are integrated service packages including basic container shipping, handling of container terminals, truck deliveries, freight forwarding and logistic services rendered to customers under through-rate contracts at a single "through-rate". Payments made by customers under through-rate contracts include value of third-party services provided under these contracts, such as charges for railway infrastructure and traction, outsourced trucking, as well as sea shipping services. Payments for third-party services under through-rate contracts are included in revenue. Through-rate shipments revenue is a combination of revenues relating to various services provided under through-rate contracts, which, when provided under separate contracts, are shown in corresponding separate revenues line items. Through-rate shipments revenues are recognized in the accounting period in which the services are rendered.

Terminal services and agency fees

Terminal services primarily include container handling, such as loading and unloading operations, container storage and other terminal operations. The Group acts on behalf of RZD in providing mandatory railroad services for all railway users at the Group's terminals, designated as the "sites of common use" by the legislation. In this capacity the Group provides some of its terminal services as a legal intermediary (agent) between clients and RZD and collects a commision. Commission fees collected from RZD for intermediary activities and revenue from other terminal operations are recognized in the accounting period in which the services are provided.

Bonded warehousing services

Bonded warehousing services are services related to storage of customers' containers in separate warehouses located at container terminals while pending customs clearance or payment of other applicable duties. Revenue from these services is recognized on the basis of the number of days during which the services are rendered.

Truck deliveries

Truck delivery services include transporting containers between the container terminals and client-designated sites using Group's own truck fleet as well as third parties' trucks. Revenue from truck deliveries is recognized in the accounting period in which the services are rendered.

Freight forwarding and logistics services

The Group provides freight forwarding and logistics services, such as:

(i) Preparation and ensuring of correctness of shipping documentation required for the delivery process to be effected;
(ii) Customs clearance brokerage by providing clients with customs documentation and services for Russian customs clearance;
(iii) Cargo tracking services by providing clients with information about cargo location;
(iv) Route optimization and planning; and
(v) Cargo security services, including provision of insurance, special labels for hazardous cargo, special terms for transportation of hazardous cargo, and ensuring proper documentation for the transported cargo.

Revenue from freight forwarding and logistics services is recognized in the accounting period in which the services are rendered.

Dividend and interest income

(i) Dividends from investments are recognized in the consolidated profit or loss when the shareholder's right to receive payment has been established;
(ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases – The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Operating lease payments

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

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing the same asset back. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term.

If a sale and leaseback transaction results in an operating lease and the transaction is established at fair value any profit or loss is recognized immediately. If the sale price is below fair value any profit or loss will be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

Borrowing costs – For the periods beginning 1 January 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized and amortized over the useful life of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. For periods prior to 1 January 2009 all borrowing costs were expensed in the period in which they were incurred. For details of change in accounting policy see Note 4.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liabilities are settled or the assets realized.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted.

Share capital and other reserves – Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. The difference between the fair value of consideration received and the par value of shares issued is recognized as other reserves. Similarly, any differences arising on transactions with shareholders which are treated as equity transactions are adjusted directly against other reserves.

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The Group does not have any potentially dilutive equity instruments.

Dividends – Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the Notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognized in the financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRSs and IFRIC interpretations adopted in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2009. The effect from their adoption on measurement and presentation of disclosures in the financial statements of the Group are described in more detailes below:

- IAS 1 "Presentation of financial statements" (amended) – separates owner and non-owner changes in equity. Based on revised standard the statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group opted to present one single statement of comprehensive income.
- IAS 23 "Borrowing costs" (revised) – requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. Accordingly, no changes have been made to the borrowing costs incurred prior to this date.
- IFRS 7 "Financial instruments: disclosure" (amended) – introduces a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. These amendmends do not have impact on the fiancial position or performance of the Group. The disclosures were not significantly impacted by the amendments.
- IFRS 8 "Operating segments" – requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the General Director of the Company. The Group has one operating segment: container shipping and other related services.

IFRSs and IFRIC interpretations not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 24 "Related party disclosures"(revised)	1 January 2011
IAS 27 "Consolidated and separate financial statements" (amended due to revision of IFRS 3)	1 July 2009
IAS 28 "Investments in associates" (amended due to revision of IFRS 3)	1 July 2009
IAS 31 "Interests in joint ventures" (amended due to revision of IFRS 3)	1 July 2009
IAS 32 "Financial instruments: presentation" (amended)	1 February 2010
IAS 39 "Financial instruments: recognition and measurement" (amended)	1 July 2009
IFRS 2 "Share-based payment" (amended)	1 January 2010
IFRS 3 "Business combinations" (revised)	1 July 2009
IFRS 9 "Financial instruments"	1 January 2013
IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"	1 January 2011
IFRIC 17 "Distributions of non-cash assets to owners"	1 July 2009
IFRIC 19 "Extinguishing financial liabilities with equity instruments"	1 July 2010

Also a number of standards and interpretations were amended with Annual Improvements to IFRS issued in April 2009 and May 2010. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards. These amendments are mandatory for adoption in the annual periods beginning on or after 1 January 2010.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on measurement, presentation of disclosure in the financial statements of the Group are described in more detail below:

- IAS 24 "Related party disclosures" (revised) – simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.
- IFRS 3 "Business combinations" (revised) – is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purpose of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.
- IFRS 9 "Financial instruments" – introduces new requirements for classifying and measuring financial assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for impairment of receivables – Management maintains a provision for impairment of short-term receivables in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2009 and 2008, provision for impairment of receivables was recognized in the amount of RUR 61,749 thousand and RUR 86,767 thousand, respectively (see Note 9).

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period. Beginning from 1 January 2009 the management applies revised useful lives for certain items of property plant and equipment. The effect of changes in estimates for 2009 was RUR 87,713 thousand (Note 7) .

Impairment of property, plant and equipment – The Group reviews at each reporting date the carrying amounts of its property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

Current year review of impairment of property, plant and equipment

In connection with the recent economic downturn the Group has carried out a review of recoverable amount of its fixed assets around the balance sheet date.

Key assumptions

The following key assumptions were made in carrying out the review:

- The Group represents one cash generating unit;
- The Group estimated its future cash flows on a nominal basis for the period 2010 to 2014, after which it assumed a constant amount of cash flow for the remaining average useful life of the existing assets. In forecasting its cash flows the price for the Group's services were assumed to grow by 12% during 2010 and from 6% to 9% in the next four years;
- The discount rate used in the calculations was equal to 17.4%, which is an estimate of the Group's weighted average cost of capital.

Results of the review

- As a result of the review no impairment loss was recognized in the consolidated financial statements, except for certain individually impaired assets as disclosed in Note 7;
- No impairment loss would result if the discount rate increased less than by 3.7%. Similarly, the result is not sensitive to decrease in estimated future cash flows within 12.6%.

Compliance with tax legislation – Compliance with tax legislation, particularly in the Russian Federation, is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued all applicable taxes. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has adequately provided for tax liabilities based on its interpretations of tax legislation. However, there exists a possibility that relevant tax authorities may have differing interpretations than those of the management, and the effect of such differences could be significant.

Pension obligations – The Group uses actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary and benefits levels, expected rate of return on plan assets, etc.). In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be materially affected (see Note 16).

6. CRITICAL ACCOUNTING JUDGEMENTS

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

Accounting for leases – A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise it is classified as operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In determining the accounting treatment of transactions that involve the legal form of a lease, all aspects and implications of an arrangements are evaluated to determine the substance of such transactions with weight given to those aspects and implications that have an economic effect. If the lease term is for longer than 75% of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, the lease is classified by the Group as a finance lease, unless it is clearly demonstrated otherwise.

Investment into LLC Finans-Proekt – In December 2007 the Company acquired interest-bearing (8% p.a.) promissory notes issued by LLC "Finans-Proekt", a related party, for a total consideration of RUR 280,000 thousand. The notes are repayable on demand after an initial fixed maturity period expired on 14 March 2008. The promissory notes are guaranteed by OJSC "TransCreditBank", a related party. Using cash proceeds received from the selling of promissory notes, LLC "Finans-Proekt" acquired 100% ownership in LLC "Zapadny Port", a company which owns and operates a port located on the bank of Don river in the vicinity of Rostov-na-Donu. As of 31 December 2009 and 2008 the Group rented substantial part of the port's property under short-term rent agreements.

As of 31 December 2008 the Group intended to subsequently acquire the port business or part of it from LLC "Finans-Proekt" in exchange for its promissory notes that the Group holds. Nevertheless, the agreement to acquire the assets of LLC "Zapadny Port" was not contractual. Analyzing the requirements of IFRS 3 "Business combinations" and IAS 27 "Consolidated and separate financial statements" management concluded that as of the balance sheet date the Group did not have the power to control the financial and operating policies of LLC "Zapadny Port" so as to obtain economic benefits from its activities. Investment in the promissory notes of LLC "Finans-Proekt" was accounted for at amortized cost, less impairment (if any). The carrying value of this investment, shown as long-term investments on the Group's consolidated balance sheet as of 31 December 2008, is equal to RUR 302,762 thousand, including accumulated interest (Note 8).

In March 2009 the notes became non-interest bearing. In October 2009 the Group has redeemed notes with total face value of RUR 50,000 thousand plus accumulated interest in the amount of RUR 4,877 thousand. The Group plans to settle additional RUR 50,000 thousand plus accumulated interest during 2010. Accordingly, this amount was reclassified as short-term investments (Note 11).

7. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and construc-tions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construc-tion in-progress	Total
Cost						
1 January 2008	**2,441,780**	**12,655,804**	**1,138,122**	**948,861**	**1,032,478**	**18,217,045**
Additions	66,059	6,060,672	63,007	592,806	1,672,281	8,454,825
Transfers	1,597,625	188,144	5,437	59,092	(1,850,298)	-
Disposals	(7,872)	(81,203)	(22,382)	(7,856)	-	(119,313)
31 December 2008	**4,097,592**	**18,823,417**	**1,184,184**	**1,592,903**	**854,461**	**26,552,557**
Additions	7,580	2,657,578	142	141,415	522,822	3,329,537
Transfers	167,967	-	-	41,195	(209,162)	-
Disposals	(45,986)	(241,510)	(11,140)	(13,567)	(1,327)	(313,530)
31 December 2009	**4,227,153**	**21,239,485**	**1,173,186**	**1,761,946**	**1,166,794**	**29,568,564**
Accumulated depreciation						
1 January 2008	**(453,004)**	**(1,652,653)**	**(164,709)**	**(144,808)**	-	**(2,415,174)**
Depreciation charge	(302,813)	(1,380,887)	(191,249)	(256,384)	-	(2,131,333)
Impairment	-	955	(8,281)	(1,347)	-	(8,673)
Disposals	2,438	51,219	6,362	2,558	-	62,577
31 December 2008	**(753,379)**	**(2,981,366)**	**(357,877)**	**(399,981)**	-	**(4,492,603)**
Depreciation charge	(202,416)	(1,517,125)	(159,938)	(330,736)	-	(2,210,215)
Impairment	(6,560)	-	(9,267)	179	-	(15,648)
Disposals	17,922	207,105	9,967	11,595	-	246,589
31 December 2009	**(944,433)**	**(4,291,386)**	**(517,115)**	**(718,943)**	-	**(6,471,877)**
Net book value						
31 December 2008	**3,344,213**	**15,842,051**	**826,307**	**1,192,922**	**854,461**	**22,059,954**
31 December 2009	**3,282,720**	**16,948,099**	**656,071**	**1,043,003**	**1,166,794**	**23,096,687**

Included in land, buildings and constructions are the amounts of RUR 109,868 thousand and RUR 85,690 thousand, which represent the value of land plots owned by the Group as of 31 December 2009 and 2008, respectively. During the year ended 31 December 2009 the Group purchased land area from OJSC “RZD” in the Irkutsk Region for a total amount of RUR 24,213 thousand in order to expand the container terminals (Note 25).

As of 1 January 2009 the Group increased the estimated useful lives of property, plant and equipment at Zabaykalsk container terminal in Chita Region, which became operational in 2008. As a result depreciation charge for the year 2009 was reduced by RUR 87,713 thousand when compared with that, which would have been charged had the estimated useful life of these assets not changed.

Vehicles and other equipment category includes motor transport used for terminal services and truck deliveries in the amount of RUR 837,372 thousand and RUR 835,019 thousand as of 31 December 2009 and 2008, respectively. During the year ended 31 December 2009 the Group sold part of its vehicles with net book value of RUR 296,108 thousand to “Gorodskaya Innovacionno-Lizingovaya Kompanya” under a sale and finance leaseback agreement (Note 15). Accordingly, the Group continued to recognize these vehicles at their previous carrying values.

Construction in-progress as of 31 December 2009 consisted of the following:

- Capital expenditure incurred in relation to construction of new container terminals in Novosibirsk, Nizhniy Novgorod and Moscow Region amounting to RUR 297,609 thousand, RUR 286,056 thousand and RUR 47,916 thousand, respectively;

- Maintenance and reconstruction of container terminals in Yekaterinburg, Khabarovsk and Saratov for the amount of RUR 113,882 thousand, RUR 30,245 thousand and RUR 15,083 thousand, respectively;
- Reconstruction of repair depot in Lipetsk region for the amount of RUR 23,980 thousand;
- Capital expenditure related to construction of the Company's new offices of RUR 171,868 thousand.

Leased assets as of 31 December 2009 and 2008 where the Group is a lessee under finance leases, comprised the following:

	2009	2008
Cost	2,753,397	1,698,690
Accumulated deprecation	(144,775)	(63,094)
Net book value	**2,608,622**	**1,635,596**

Refer to Note 15 for further details regarding finance leases.

Advances for acquisition of non-current assets

As of 31 December 2009 and 2008 advances for acquisition of non-current assets consisted of amounts paid for acquisition of an office building in Moscow (RUR 1,642,309 thousand), acquisition of rolling stock (RUR 573,921 thousand and RUR 541,875 thousand, respectively) and acquisition of other non-current assets (RUR 92,250 thousand and RUR 92,182 thousand, respectively).

8. LONG-TERM INVESTMENTS

	Effective interest rate	2009	2008
Promissory notes (Note 6)	0% (2008: 8%)	197,556	302,762
Other long-term investments		8,942	742
Total long-term investments		**206,498**	**303,504**

9. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2009			
Trade receivables	1,113,574	(55,455)	1,058,119
Other receivables	889,435	(6,294)	883,141
Total	**2,003,009**	**(61,749)**	**1,941,260**
31 December 2008			
Trade receivables	1,655,134	(86,767)	1,568,367
Other receivables	72,468	-	72,468
Total	**1,727,602**	**(86,767)**	**1,640,835**

As at 31 December 2009 other receivables include RUR 477,271 thousand receivable from CJSC "Gorodskaya Innovacionno-Lizingovaya Kompaniya" under a sale and leaseback agreement (Note 15) and RUR 247,800 thousand receivable from LLC "Novorossiysky Mazutny Terminal" for a sale of a plot of land.

The average credit period on the Group's sales (other than for sales carried out on a prepayment basis) is 35 days.

Included in the Group's total trade and other receivables are debtors with a carrying amount of RUR 345,769 thousand and RUR 211,257 thousand as of 31 December 2009 and 2008, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

The ageing of past due but not impaired trade and other receivables is as follows:

	2009	2008
35-90 days	25,983	62,012
90-180 days	151,144	42,444
more than 180 days	168,642	106,801
Total past due but not impaired	**345,769**	**211,257**

The movement in the provision for impairment in respect of trade and other receivables is as follows:

	2009	2008
Balance at beginning of the year	(86,767)	(46,837)
Additional provision, recognized in the current year	(35,659)	(86,767)
Release of provision	60,677	46,837
Balance at end of the year	**(61,749)**	**(86,767)**

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2009	2008
VAT receivable	681,450	1,107,444
Advances to suppliers	1,449,883	758,639
Other current assets	131,987	91,340
Total prepayments and other current assets	**2,263,320**	**1,957,423**

Advances to suppliers consist of payments made for third party transportation services. During 2009 the Group reached an agreement with RZD whereby RUR 775,598 thousand was reclassified from trade receivables to advances.

11. SHORT-TERM INVESTMENTS

	2009	2008
Promissory notes (Note 6)	54,877	-
Loans	88,129	-
Total short-term investments	**143,006**	**-**

An interst free six-month EURO-denominated loan was issued to Far East Land Bridge Ltd.

12. CASH AND CASH EQUIVALENTS

	2009	2008
Russian Rouble denominated cash in hand and balances with banks	386,991	303,745
Foreign currency denominated balances with banks	61,657	149,311
Total cash and cash equivalents	**448,648**	**453,056**

13. EQUITY

Share Capital

Authorized and issued capital as of 31 December 2009 and 2008 comprises:

	Number of outstanding ordinary shares	Value
Ordinary shares (par value: RUR 1,000)	13,894,778	13,894,778

The Group's shares were paid through contribution by its parent, RZD, of net assets related to container transportation activities. Such net assets consisted primarily of cash, property, plant and equipment, long-term employee benefit liabilities and the related deferred tax liabilities. Further, under the existing tax rules, the in-kind contribution of property, plant and equipment made by the shareholder to the share capital gives the Group the right to claim VAT related to such property, plant and equipment for reimbursement from the tax authorities. The amount of such VAT was RUR 104,001 thousand. This amount was included in the determination of the total value of the consideration paid by RZD for the Group's shares.

The difference between the fair value of net assets contributed and the nominal value of the shares issued by the Company of RUR 2,254,346 thousand was recorded as other reserves.

The Company shareholder structure as of 31 December 2009 and 2008 was as follows:

	Number of outstanding ordinary shares	Percentage of Ownership
OJSC "RZD"	11,810,561	85.00000%
CJSC CB "Citibank" (nominal shareholder)	1,284,574	9.24501%
CJSC "DCC" (nominal shareholder)	799,642	5.75498%
OJSC "Baminvest"	1	0.00001%
	13,894,778	**100%**

Retained Earnings, Dividends

In accordance with the Russian legislation, dividends may only be declared to the shareholders of the Company from accumulated undistributed and unreserved earnings as shown in the Company's statutory financial statements. TransContainer had RUR 4,460,856 thousand and RUR 4,944,638 thousand of undistributed and unreserved earnings as of 31 December 2009 and 2008, respectively.

In respect of 2008, dividends of RUR 19.29 per share were approved at the annual shareholders' meeting on 23 June 2009. As of 31 December 2009 the dividends have been fully paid. In respect of 2007, dividends of RUR 11.03 per share were approved by and paid to the shareholders during the year ended 31 December 2008.

Reserve Fund

According to its charter, the Company established a reserve fund through allocation of 5 percent of net profit as computed under Russian accounting regulations. The total amount of the reserve fund is limited to 5 percent of the Company's share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem issued bonds or purchase treasury shares.
As of 31 December 2009 and 2008 the Company's reserve fund amounted to RUR 282,703 thousand and RUR 148,691 thousand, respectively.

14. LONG-TERM BORROWINGS

	Effective interest rate	2009	2008
OJSC "Alfa Bank"	12.0% - 12.5%	1,519,840	-
Total		**1,519,840**	**-**

RUR-denominated loans from Alfa Bank were obtained to finance acquisition of flatcars. Flatcars with net book value of RUR 1,551,640 thousand are pledged as a collateral under this loan agreement. The loans mature in five years and have a fixed interest rate, with interest payable on the 25th of each month.

In accordance with the terms of the loan the Group is subject to certain financial and non-financial covenants, including observance of a Debt/EBITDA ratio, calculated on an annual and semi-annual basis. For the purposes of calculation debt includes all short and long term borrowings, finance lease obligations and interest expense for the reporting period. EBITDA includes income before interest expense, income tax, depreciation and amortization. In the event of non-compliance with the specified requirements the bank may increase the annual interest rate by 3%. In addition, the bank may require an early repayment of the loans if non-compliance with the financial covenants is not timely remediated.

The Group is also required to observe a minimal amount of quarterly cash turnover with the bank, non-compliance with which may result in fines.

15. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
Due within one year	909,050	391,578	793,522	356,762
Due after one year but not more than five years	1,681,972	1,242,208	1,114,607	832,405
	2,591,022	1,633,786	1,908,129	1,189,167
Less future finance charges	(682,893)	(444,619)	-	-
Present value of minimum lease payments	**1,908,129**	**1,189,167**	**1,908,129**	**1,189,167**

During 2008 the amount of minimum lease payments under one of the lease agreements has been revised. The difference between the initial minimal lease payments and the revised lease payments for the year ended 31 December 2009 has been included in interest expense on finance lease obligations in the amount of RUR 1,683 thousand.

The 2008 finance leases

During 2008 the Group assumed rights and obligations under three existing lease agreements with CJSC "Russian-German Leasing Company" (RG Leasing), initially concluded between RZD and RG Leasing. RG Leasing is a related party to the Group.

The agreements are for lease of:

- Flatcars with net book value (as at the date of transfer of assets) of RUR 1,337,855 thousand;
- Flatcars with net book value (as at the date of transfer of assets) of RUR 601,165 thousand;
- Containers with net book value (as at the date of transfer of assets) of RUR 140,468 thousand.

These transactions have been treated by management as transactions with shareholders. The related finance lease assets and liabilities have been recorded at their carrying value in the books of RZD immediately before their transfer to the Company with any resulting difference adjusted directly against the Group's equity. The difference between the net carrying value of assets and liabilities assumed under the lease agreements and payments made to RZD to acquire lease rights of RUR 487,568 thousand gave rise to a net gain of RUR 33,712 thousand, that was included in other reserves.

Assets under the latter two agreements have subsequently been purchased by the Group in 2008, and the corresponding leasing agreements terminated. The effective interest rate for the remaining lease agreement is 16.23%.

The 2009 finance leases

During the period ended 31 December 2009 the Group entered in two new finance lease agreements.

The agreements are for lease of:

- Flatcars with the value of RUR 337,600 thousand, the lease agreement with Goldline LLC;
- Flatcars with the value of RUR 421,780 thousand, the lease agreement with Alfa Leasing LLC.

The lease agreements with Goldline LLC and Alfa Leasing LLC are for the period of 28 months with the effective interest rate of 25% and the total amount of future minimal lease payments of RUR 365,746 thousand and RUR 456,921 thousand, respectively.

On 31 December 2009 the Group has entered into a sale and leaseback agreement with CJSC "Gorodskaya Innovacionno-Lizingovaya Kompaniya" for a sale and leaseback of the Group's trucks with a net book value of RUR 296,108 thousand. The transaction has resulted in a finance lease, and the Group continued to recognize the assets under the lease agreement at their previous carrying amounts. The excess of sale proceeds over the net book value of the assets in the amount of RUR 108,359 thousand has been recognized as deferred income in the consolidated statement of financial position, and will be amortized over the lease term. The lease agreement is for the period of three years with the effective interest rate of 28.3% (including the effect of amortization of deferred income over the lease term).

All leases are on a fixed repayment basis and denominated in Russian Roubles. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

16. EMPLOYEE BENEFIT LIABILITY

The employees of the Company are members of a state-managed pension plan operated by the government of the Russian Federation. The Group is required to contribute a specified percentage of payroll costs as part of the unified social tax to the Pension Fund of the Russian Federation to fund the benefits.

The Company also provides supplementary defined benefit and defined contribution retirement benefit plans covering substantially all of its employees, requiring contributions to be made to a separately administered non-state pension fund "Blagosostoyanie". Not-for-profit fund "Pochet" provides pensions to the Company's employees retired before the defined benefit plans provided though the non-state pension fund "Blagosostoyanie" were introduced.

Benefits accrued though pension plan administered by non-state pension fund "Blagosostoyanie" are partially funded, whilst benefits administered by not-for-profit fund "Pochet" are not funded. In addition, the Company provides other retirement and post employment benefits to its employees, which consist of a once per year compensation of transportation costs on long-distance trains, one-time bonus on retirement ranging from one to six monthly salaries and depending of the duration of the service period and some other requirements. These benefits are not funded.

Defined contribution plans

The total amount recognized as an expense in respect of payments to defined contribution plans for the years ended 31 December 2009 and 2008 consisted of the following:

	2009	2008
Pension Fund of the Russian Federation	291,131	310,019
Non-state defined contribution plan "Blagosostoyanie"	3,592	2,355
Total expense for defined contribution plans	**294,723**	**312,374**

Defined benefit plans

There were 5,481 employees eligible for some part of the supplementary post-employment and post-retirement benefit program of the Group as of 31 December 2009 (2008: 5,905), of which 1,115 employees (2008: 1,088) were considered active participants. An active participant is a person making contributions to the pension plan at his/her own expense. Such contributions are matched by the Group. In addition, there were 106 and 108 retired employees eligible for the post-retirement benefit program of the Company though not-for-profit fund "Pochet" as of 31 December 2009 and 2008, respectively.

The most recent actuarial valuation of the defined benefit obligation was carried out as of 31 December 2009 by an independent actuary. The present value of the defined benefit obligations, and related current service costs and past service cost, were measured using the projected unit credit method.

The amounts recognized in the consolidated profit or loss for the year ended 31 December 2009 in respect of these defined benefit plans, which are included in Payroll and related charges, are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other employee benefits	Total
Current service cost	15,510	-	10,063	7,255	32,828
Interest on obligation	28,741	323	17,577	7,858	54,499
Expected return on plan assets	(1,968)	-	-	-	(1,968)
Actuarial losses/(gains) recognized in the year	(3,286)	410	(44,092)	(12,009)	(58,977)
Amortization of past service cost	15,317	-	945	228	16,490
Introduction of other employee benefits	-	-	-	49,828	49,828
Losses arising on transfer of employees (i)	6,735	-	3,579	1,131	11,445
Net expense recognized in the consolidated profit or loss	**61,049**	**733**	**(11,928)**	**54,291**	**104,145**

The amounts recognized in the consolidated profit or loss for the year ended 31 December 2008 in respect of these defined benefit plans are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other employee benefits	Total
Current service cost	10,266	-	5,775	759	16,800
Interest on obligation	18,540	576	10,302	1,554	30,972
Expected return on plan assets	(1,390)	-	-	-	(1,390)
Actuarial losses/(gains) recognized in the year	42,750	(602)	33,468	9,038	84,654
Amortization of past service cost	15,317	-	945	72	16,334
Losses/(gains) arising on transfer of employees (i)	17,538	(3,745)	10,636	1,409	25,838
Net expense recognized in the consolidated profit or loss	**103,021**	**(3,771)**	**61,126**	**12,832**	**173,208**

(i) The losses and gains arising from transfer of employees represent the transfer of obligations on post-retirement benefits, which originated from the movement of employees from, as well as back to, the parent company.

The amount recognized in the consolidated statement of financial position as of 31 December 2009 in respect of these defined benefit plans is as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other employee benefits	Total
Present value of funded defined benefit obligation	296,046	-	-	-	296,046
Fair value of plan assets	(31,757)	-	-		(31,757)
	264,289	-	-	-	264,289
Present value of unfunded defined benefit obligation	-	3,686	163,272	82,153	249,111
Deficit	264,289	3,686	163,272	82,153	513,400
Unrecognized past service cost	(19,402)	-	(3,192)	(1,002)	(23,596)
Net employee benefit liability	**244,887**	**3,686**	**160,080**	**81,151**	**489,804**

The amount recognized in the consolidated statement of financial position as of 31 December 2008 in respect of these defined benefit plans is as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other employee benefits	Total
Present value of funded defined benefit obligation	305,758	-	-	-	305,758
Fair value of plan assets	(26,238)	-	-	-	(26,238)
	279,520				279,520
Present value of unfunded defined benefit obligation	-	3,433	186,985	32,599	223,017
Deficit	279,520	3,433	186,985	32,599	502,537
Unrecognized past service cost	(34,720)	-	(4,137)	(389)	(39,246)
Net employee benefit liability	**244,800**	**3,433**	**182,848**	**32,210**	**463,291**

Movements in the present value of net defined benefit obligation are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other employee benefits	Total
Net defined benefit obligation as at 1 January 2008	**178,617**	**7,676**	**132,283**	**20,251**	**338,827**
Net expense recognized in profit or loss	103,021	(3,771)	61,126	12,832	173,208
Contributions	(36,838)	(472)	(10,561)	(873)	(48,744)
Net defined benefit obligation as at 31 December 2008	**244,800**	**3,433**	**182,848**	**32,210**	**463,291**
Net expense/(income) recognized in profit or loss	61,049	733	(11,928)	54,291	104,145
Contributions	(60,962)	(480)	(10,840)	(5,350)	(77,632)
Net defined benefit obligation as at 31 December 2009	**244,887**	**3,686**	**160,080**	**81,151**	**489,804**

Movements in the fair value of defined benefit pension plans are as follows:

Fair value of plan assets as at 1 January 2008	**18,538**
Expected return on plan assets	1,390
Actuarial gains	(668)
Contributions from the employer	48,744
Benefits paid	(41,766)
Fair value of plan assets as at 31 December 2008	**26,238**
Expected return on plan assets	1,968
Actuarial gains	462
Contributions from the employer	77,632
Benefits paid	(74,543)
Fair value of plan assets as at 31 December 2009	**31,757**

The major categories of plan assets administered by non-state pension fund "Blagosostoyanie" as a percentage of the fair value of total plan assets as of the balance sheet date were as follows:

	Share in total plan assets	
	2009	**2008**
Corporate bonds and stock of Russian legal entities	46%	47%
Shares in closed investment funds	26%	19%
Bank deposits	18%	25%
Sovereign and regional government bonds, including Moscow City Government bonds	2%	2%
Promissory notes of Russian legal entities	0%	4%
Other	8%	3%
	100%	**100%**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	**2008**
Discount rate	8.8%	9.4%
Rate used for calculation of annuity value	4%	4%
Average remaining working life, years	18.5	19
Expected return on plan assets	9.0%	10.0%
Mortality tables	year 2008	year 2005

The Group further assumed that salary will increase in future in line with inflation rate. The current year actuarial profit related to the defined benefit obligation was significant due to decrease in the average salary level of the Group's employees following its formation.

The overall expected rate of return on assets is a weighted average of the expected returns of the various categories of plan assets held. Assessment of the expected returns by management is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was RUR 2,430 thousand and RUR 724 thousand for the years ended 31 December 2009 and 2008, respectively.

The Group expects to make a contribution of RUR 68,907 thousand (2008: RUR 67,466 thousand) to the defined benefit plans during the next financial year.

17. TRADE AND OTHER PAYABLES

	2009	2008
Trade payables	585,228	1,105,298
Amounts payable for the acquisition of property, plant and equipment	341,762	787,998
Liabilities to customers	2,245,394	2,164,064
Total trade and other payables	**3,172,384**	**4,057,360**

18. TAXES OTHER THAN INCOME TAX PAYABLE

	2009	2008
Property tax	97,988	100,694
Unified social tax	41,363	34,293
Personal income tax	10,379	6,500
Other taxes	20,565	3,371
Total taxes other than income tax payable	**170,295**	**144,858**

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2009	2008
Settlements with employees	132,982	273,515
Other liabilities	51,227	46,164
Total accrued expenses and other current liabilities	**184,209**	**319,679**

Settlements with employees as of 31 December 2009 and 2008 comprised accrued salaries and bonus of RUR 65,392 thousand and RUR 190,338 thousand, respectively, and the accrual for unused vacation of RUR 67,590 thousand and RUR 83,177 thousand, respectively.

20. FIVE-YEAR RUR BONDS, SERIES 1

On 4 March 2008 the Company issued non-convertible five-year bonds for the total amount of RUR 3,000,000 thousand with 1,000 roubles par value. Net proceeds from the issuance, after the deduction of related offering costs, amounted to RUR 2,973,568 thousand. The coupon rate of the bonds for the first year is 9.5% per annum, with interest being paid semi-annually. The rate for the remaining period is to be determined by the Group. Bond holders have an option to put their investments to the Group at par value after first and second year. Due to the existence of such option these borrowings are presented as current liabilities at each presented reporting date. The bonds have been guaranteed by LLC “Trans-Invest”, a related party of the Group.

On 13 March 2009 majority of the bondholders requested redemption of their bonds in accordance with the put option. The Group redeemed the bonds in the amount of RUR 2,901,500 thousand and re-issued them on the same day for RUR 2,855,037, net of offering costs, which resulted in a net change in borrowings of RUR 46,463. The coupon rate for the second year was set at 16.5% per annum, with interest being paid semi-annually.

As of 31 December 2009 and 2008 the carrying value of the bonds equals RUR 3,152,139 thousand and RUR 3,087,926 thousand, respectively, and the amount of accrued coupon is RUR 164,100 thousand and RUR 92,918 thousand, respectively.

21. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the General Director of TransContainer. The General Director reviews the Group's internal reporting in order to assess performance and allocate resources. Currently the General Director considers the business from a single perspective as one unit providing container shipping and other related services. While single groups of assets, such as containers, flatcars, container terminals, warehouses, and trucks may be able to generate some measure of revenue independently of each other, the Group can only sustain its competitive advantage and required profitability when all groups of assets function simultaneously, providing to the customers a completed package of shipping services. For this reason the General Director and the Group's management considers the entire Group to be a single operating and reportable segment.

Information on the basis of which the General Director assesses the Group's performance is revenue by category and load factor, which is measured in terms of transported TEUs (twentyfoot equivalent units) for both containers and flatcars, and fleet turnover – the amount of times the entire fleet of containers or flatcars on average makes a loaded trip during a year.

Description of each of the type of revenue is disclosed in the Group's accounting policy in Note 4.

Analysis of revenue by category

	2009	2008
Rail-based container shipping services	6,572,926	9,685,939
Through-rate shipments	5,347,433	4,768,940
Terminal services and agency fees	1,677,944	2,368,809
Truck deliveries	1,559,182	1,661,984
Freight forwarding and logistics services	880,308	1,603,706
Bonded warehousing services	264,943	298,728
Other	97,206	105,786
Total revenue	**16,399,942**	**20,493,892**

Analysis of revenue by geographical segments

	2009	2008
Revenue from external customers		
Russia	15,321,470	18,405,140
Germany	527,502	573,699
China	135,287	220,661
Finland	133,434	211,417
Korea	72,706	909,942
Other	209,543	173,033
Total	**16,399,942**	**20,493,892**

Geographical segments are based on the location of the customer. During the years ended 31 December 2009 and 2008 OJSC "Russian Railways" accounted for more than 10% of the Group's revenue: RUR 2,085,314 thousand (13%) and RUR 2,823,268 thousand (14%), respectively.

22. OPERATING EXPENSES, NET

	2009	2008
Freight and transportation services	3,831,625	3,698,004
External services for through-rate transportation	3,137,610	2,688,011
Payroll and related charges	2,436,690	2,749,344
Depreciation and amortization	2,250,144	2,153,649
Materials, repair and maintenance	1,181,845	1,901,907
Rent	476,151	218,454
Taxes other than income tax	425,578	361,913
Consulting services	264,931	279,431
Security	209,854	210,246
Fuel costs	117,083	133,984
Advertising costs	89,734	219,630
Charity	85,312	114,702
Communication costs	84,022	88,064
Change in provision for impairment of receivables	(25,018)	39,930
Changes in provision for tax liabilities, other than income tax	(30,083)	30,083
Gain on disposal of property, plant and equipment	(257,486)	(19,683)
Other expenses, net	448,185	701,908
Total operating expenses, net	**14,726,177**	**15,569,577**

23. INTEREST EXPENSE

	2009	2008
Interest expense on five-year RUR bonds, series 1	505,616	256,471
Interest expense on finance lease obligations	325,692	221,804
Interest expense on bank loans	113,923	20,902
Total interest expense	**945,231**	**499,177**

24. INCOME TAX

	2009	2008
Current income tax charge	(280,684)	(1,259,248)
Deferred income tax benefit / (expense)	102,665	(13,733)
Deferred income tax benefit resulting from reduction in tax rate	-	285,148
Income tax	**(178,019)**	**(987,833)**

The statutory tax rate effective in the Russian Federation was 24% for the year ended 31 December 2008. In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 24% to 20% effective from 1 January 2009.

Income before taxation for financial reporting purposes is reconciled to tax expense for as follows:

	2009	2008
Profit before income tax	**767,627**	**4,557,859**
Theoretical tax charge at statutory rate (2008: 24%; 2009: 20%)	(153,525)	(1,093,886)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect on deferred tax balances due to the change in income tax rate from 24% to 20%	-	285,148
Annual bonus	-	(22,413)
Benefits in-kind and other non-deductible payments to employees	(34,198)	(41,315)
Non-deductible post-employment benefits	(8,619)	(16,845)
Charity	(17,077)	(27,579)
Income tax adjustments for prior periods	62,105	-
Other non-deductible expenses	(32,722)	(77,193)
Changes in provision for tax risks – taxes other than income tax	6,017	(7,220)
Changes in provision for tax risks – income tax	-	13,470
Income tax	**(178,019)**	**(987,833)**

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated statements of financial position give rise to the following deferred tax effects:

	1 January 2009	Charged to profit or loss	31 December 2009
Property, plant and equipment	1,944,138	73,296	2,017,434
Intangible assets	1,624	(954)	670
Other	(1,289)	(2,867)	(4,156)
Trade and other receivables	983	(13,368)	(12,385)
Loans and borrowings	1,152	631	1,783
Finance lease obligations	(237,833)	(148,726)	(386,559)
Trade and other payables	(40,796)	11,069	(29,727)
Employee benefits liability	(48,960)	(74)	(49,034)
Deferred income	-	(21,672)	(21,672)
Total net deferred tax liability	**1,619,019**	**(102,665)**	**1,516,354**

	1 January 2008	Charged to profit or loss	31 December 2008
Property, plant and equipment	2,109,658	(165,520)	1,944,138
Intangible assets	4,157	(2,533)	1,624
Other	72	(1,361)	(1,289)
Trade and other receivables	(14,704)	15,687	983
Loans and borrowings	-	1,152	1,152
Finance lease obligations	(93,096)	(144,737)	(237,833)
Trade and other payables	(72,786)	31,990	(40,796)
Employee benefits liability	(42,867)	(6,093)	(48,960)
Total net deferred tax liability	**1,890,434**	**(271,415)**	**1,619,019**

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 “Related party disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties, with whom the Group entered into significant transactions or had significant balances outstanding as of 31 December 2009 are disclosed below:

Related party	Nature of relationship
OJSC “Russian Railways” (RZD)	Parent company
OJSC “TransCreditBank”	Fellow subsidiary of RZD
LLC “FinanceBusinessGroup”	An entity related to OJSC “TransCreditBank”
LLC “Finans-Proekt” (Note 6)	An entity related to OJSC “TransCreditBank”
LLC “Zapadny Port” (Note 6)	Subsidiary of LLC “Finans-Proekt”
LLC “Refservice”	Fellow subsidiary of RZD
LLC “Roszheldorstroy”	Fellow subsidiary of RZD
LLC “Trans-Invest” (Note 20)	An entity related to Fund Blagosostoyanie
Fund Blagosostoyanie	Post-employment benefit plan for the benefit of employees of the Company
Fund Pochet	Post-employment benefit plan for the benefit of employees of the Company

The ultimate controlling party of the Group is the government of the Russian Federation and therefore all companies controlled by the government of the Russian Federation are also treated as related parties of the Group for the purpose of these consolidated financial statements.

As a part of its normal operations, the Group enters into various transactions and has outstanding balances with state-controlled entities and governmental bodies, which are shown as “other” in the tables below. The majority of related party transactions are with OJSC “Russian Railways” (RZD) and its subsidiaries, and OJSC “TransCreditBank”, which are also state-controlled.

Relationships with OJSC “Russian Railways” (RZD) and its subsidiaries

The Group performs a variety of transactions with RZD (the “Parent”), which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Furthermore, RZD owns the vast majority or rail-cars repair facilities in Russia, which are used by the Group to maintain its rolling stock in the operational condition.

In addition, under the provisions of the existing Russian regulations, certain functions associated with arrangement of container transportation process can only be performed by RZD. Pursuant to the transfer of the assets required for performance of such functions to the Group, RZD engaged TransContainer to act as its agent in performance of these functions. Revenue generated by the Group from such transactions with RZD is reported as agency fees in the accompanying consolidated profit or loss.

The Group maintains several bank accounts in OJSC “TransCreditBank”. In addition, OJSC “TransCreditBank” has guaranteed the promissory notes of LLC “Finance-Proekt”, acquired by the Group.

The following tables provide the total amount of transactions, which have been entered into with related parties during the years ended 31 December 2009 and 2008 as well as year-end balances.

Transactions and balances with related parties as at and for the year ended 31 December 2009:

	Total	RZD and its subsidiaries	Other
Cash and cash equivalents	429,300	428,801	499
Trade and other accounts receivables			
Trade receivables	321,232	320,649	583
Advances to suppliers	1,128,150	1,123,142	5,008
Prepaid income tax	98,204	-	98,204
VAT receivable	681,449	-	681,449
Other receivables	28,770	22,984	5,786
	2,257,805	1,466,775	791,030
Short-term investments	54,877	-	54,877
Long-term investments	197,556	-	197,556
Total assets	**2,939,538**	**1,895,576**	**1,043,962**
Trade and other accounts payable			
Trade payables	106,347	77,466	28,881
Liabilities to customers	38,840	11,689	27,151
Taxes payable	246,263	-	246,263
Other payables	131,700	117,715	13,985
	523,150	206,870	316,280
Finance lease obligations	972,805	-	972,805
Total liabilities	**1,495,955**	**206,870**	**1,289,085**
Revenue			
Rail-based container shipping services	724,662	703,422	21,240
Agency fees	1,367,442	1,362,254	5,188
Other services	102,307	48,886	53,421
	2,194,411	2,114,562	79,849
Interest income on short-term investments	4,548	4,548	-
Interest income on deposits	29,317	28,630	687
Total income	**2,228,276**	**2,147,740**	**80,536**
Expenses			
Freight and transportation services	2,881,350	2,870,708	10,642
External services for through-rate transportation	2,338,885	2,208,604	130,281
Repair services	729,515	724,962	4,553
Rent of property and equipment	474,059	79,972	394,087
Other expenses	286,480	211,601	74,879
	6,710,289	6,095,847	614,442
Income tax and other tax expenses	627,689	-	627,689
Interest expense on loans	53,719	-	53,719
Interest expense on finance lease obligations	176,900	-	176,900
Total expenses	**7,568,597**	**6,095,847**	**1,472,750**
Acquisition of property, plant and equipment	161,488	148,324	13,164
Purchase of materials	2,232	1,935	297
Contributions to non-state pension funds	61,433	61,433	-
Total other transactions	**225,153**	**211,692**	**13,461**

Transactions and balances with related parties as at and for the year ended 31 December 2008:

	Total	RZD and its subsidiaries	Other
Cash and cash equivalents	438,323	437,745	578
Trade and other accounts receivables			
Trade receivables	647,354	641,870	5,484
Advances to suppliers	210,041	204,852	5,189
Prepaid income tax	135,683	-	135,683
VAT receivable	1,107,444	-	1,107,444
Other receivables	8,544	263	8,281
	2,109,066	846,985	1,262,081
Long-term investments	303,504	-	303,504
Total assets	**2,850,893**	**1,284,730**	**1,566,163**
Trade and other accounts payable			
Trade payables	604,407	588,196	16,211
Liabilities to customers	38,358	9,705	28,653
Taxes payable	160,968	-	160,968
Other payables	2,137	1,989	148
	805,870	599,890	205,980
Finance lease obligations	1,189,166	-	1,189,166
Total liabilities	**1,995,036**	**599,890**	**1,395,146**
Revenue			
Rail-based container shipping services	1,092,421	1,072,594	19,827
Agency fees	1,754,066	1,754,066	-
Other services	41,212	29,802	11,410
	2,887,699	2,856,462	31,237
Interest income on deposits	31,303	31,303	-
Total income	**2,919,002**	**2,887,765**	**31,237**
Expenses			
Freight and transportation services	4,583,409	4,558,030	25,379
Repair services	1,031,190	965,276	65,914
Rent of property and equipment	44,294	24,952	19,342
Other expenses	241,402	158,980	82,422
	5,900,295	5,707,238	193,057
Income tax and other tax expenses	1,348,174	-	1,348,174
Interest expense on finance lease obligations	221,804	-	221,804
Total expenses	**7,470,273**	**5,707,238**	**1,763,035**
Acquisition of property, plant and equipment	1,192,233	205,628	986,605
Purchase of materials	29,877	22,977	6,900
Contributions to non-state pension funds	36,839	36,839	-
Total other transactions	**1,258,949**	**265,444**	**993,505**

The amounts outstanding to and from related parties are unsecured except as disclosed for finance leases (Note 15).

Compensation of key management personnel

Key management personnel consist of members of the Board of Directors of the Company, the General Director and his deputies, totaling 19 persons as of 31 December 2009 (2008: 14 persons). Total gross compensation (including unified social tax and before withholding of personal income tax) to key management personnel included in payroll and related charges in the consolidated profit or loss amounted to RUR 53,748 thousand (including unified social tax of RUR 1,426 thousand) and RUR 55,615 thousand (including unified social tax of RUR 1,431 thousand) for the years ended 31 December 2009 and 2008, respectively. Such compensation comprises primarily short-term benefits. Post-employment and other long-term benefits of key management personnel were immaterial.

26. COMMITMENTS UNDER OPERATING LEASES

The Group leases certain cranes, production buildings and office premises. The respective lease agreements have duration varying from one to five years . As disclosed in Note 6, the Group continues to rent property of Zapadny Port under a short-term operating lease agreement. During 2009 the Group entered into two rent agreements for operating leases of flatcars with OJSC "RZD" and OJSC "RusTransVagon" for the period of three years. Additionally the Group leases land on which the Group's container terminals are located.

Future minimum lease payments under contracted operating leases are as follows:

	2009	2008
Within one year	465,525	141,315
In two to five years	388,536	91,695
After five years	3,174	73
Total minimum lease payments	**857,235**	**233,083**

27. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's capital commitments related to acquisition of containers and flatcars, lifting and other equipment, construction of container terminals and modernization of existing assets as of 31 December 2009 and 2008 consisted of the following:

	2009	2008
Construction of container terminal complexes and modernization of existing assets	1,027,237	1,037,981
Acquisition of containers and flatcars	701,055	774,555
Acquisition of lifting machines and other equipment	187,190	221,444
Total capital commitments	**1,915,482**	**2,033,980**

Operating environment of the Group – Although in recent years there has been a general improvement in economic conditions in Russia, it continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Environmental matters – The enforcement of environmental regulation in the Russian Federation is continually evolving. The Group periodically evaluates its obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the government's federal and regional requirements concerning environmental matters. Therefore, there are no significant liabilities for environmental damage or remediation.

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group.

Compliance with covenants – As disclosed in Note 14, the Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including claims for early repayment. As at 31 December 2009 the Group is in compliance with covenants.

Insurance – The Group holds no insurance policies in relation to its assets, operations, or in respect of public liability or other insurable risks, with the exception of insurance policies that partially cover its vehicles, flatcars and buildings, and a Directors and Officers liability insurance policy. 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.

Recent volatility in global and Russian financial markets – The financial markets, both globally and in Russia, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2008 and 2009. The Russian government initiated the adoption of a package of federal laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Russia's economy, and those measures have had a positive effect, however at this stage there is no clarity with respect to efficiency of these measures in the long run.

While many countries, including Russia, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow down or disrupt the Russian economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

While the Russian government has introduced a range of stabilization measures aimed at providing liquidity to the Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Given Group's relatively low debt burden and extended debt repayment profile, as well as low exposure to foreign currency exchange rates, management believes that for the next few years, any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets will have limited effect on the Group's financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

28. RISK MANAGEMENT ACTIVITIES

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance.

The capital structure of the Group consists of long-term borrowings, including bank loans, finance lease obligations and five-year RUR bonds, series 1, and equity, consisting of issued capital, reserves and retained earnings as disclosed in Note 13.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Major Categories of Financial Instruments

The Group's financial assets include other long-term investments (see Note 8), trade and other receivables, cash and cash equivalents, and short-term investments. All financial assets fall into loans and receivables category under IAS 39 "Financial instruments: recognition and measurement".

	2009	2008
Financial assets		
Cash and cash equivalents	448,648	453,056
Trade and other receivables	1,941,260	1,640,835
Short-term investments	143,006	-
Long-term investments	201,542	303,504
Total financial assets	**2,734,456**	**2,397,395**

The Group's principal financial liabilities are trade and other payables, borrowings, accruals, finance lease obligations, and five-year RUR bonds, series 1. All financial liabilities are carried at amortized cost.

	2009	2008
Financial liabilities		
Trade and other payables	974,563	1,938,530
Payables to employees	132,982	273,515
Five-year RUR bonds, series 1	3,152,139	3,087,926
Long-term borrowings	1,519,840	-
Current portion of long-term borrowings	3,047	-
Finance lease obligations	1,908,129	1,189,167
Total financial liabilities	**7,690,700**	**6,489,138**

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due. Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long-term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of finance lease obligations, borrowings and five-year RUR bonds, series 1. The non-interest bearing liabilities include trade and other payables and amounts payable to employees.

The following tables detail the Group's remaining contractual maturity for financial liabilities.
The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
2009						
Non-interest bearing liability		409,186	271,280	427,079	-	1,107,545
Five-year RUR bonds, series 1	18.45%	-	3,246,810	-	-	3,246,810
Loans and borrowings	12%-12.5%	3,047	-	-	1,519,840	1,522,887
Finance lease liability	14.97% – 28.3%	127,591	145,965	635,494	1,681,972	2,591,022
Total		**539,824**	**3,664,055**	**1,062,573**	**3,201,812**	**8,468,264**
2008						
Non-interest bearing liability		338,831	722,244	1,150,970	-	2,212,045
Five-year RUR bonds, series 1	10.31%	-	3,142,110	-	-	3,142,110
Finance lease liability	14.57% – 21.70%	33,779	67,177	290,622	1,242,208	1,633,786
Total		**372,610**	**3,931,531**	**1,441,592**	**1,242,208**	**6,987,941**

The following tables detail the Group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
2009						
Loans and receivables						
Trade and other receivables		643,719	596,426	701,115	-	1,941,260
Short-term investments	0%	-	-	143,006	-	143,006
Long-term investments	0%				201,542	201,542
Total		**643,719**	**596,426**	**844,121**	**201,542**	**2,285,808**
2008						
Loans and receivables						
Trade and other receivables		413,773	565,179	661,883	-	1,640,835
Other long-term investments	8%	-	-	-	303,504	303,504
Total		**413,773**	**565,179**	**661,883**	**303,504**	**1,944,339**

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue, and purchases third party transportation services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers, are denominated in currencies other than the Russian Rouble, the functional currency of TransContainer.

During 2009 and 2008 the Group's financial assets denominated in foreign currency have exceeded its foreign currency financial liabilities. Therefore, weakening of Russian Rouble against the US Dollar and Euro during 2009 and 2008 did not create additional currency risks for the Group. For the year to 31 December 2009 the Russian Rouble depreciated against the US Dollar by 3%, and against EURO by 5% (20% and 15%, respectively, for the year to 31 December 2008). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR		Other	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Assets						
Cash and cash equivalents	14,421	56,985	46,935	91,150	301	1,176
Trade and other receivables	262,060	157,557	68,705	90,902	1,230	-
Total assets	**276,481**	**214,542**	**115,640**	**182,052**	**1,531**	**1,176**
Liabilities						
Trade and other payables	82,896	189,362	10,390	26,225	1,051	4,745
Total liabilities	**82,896**	**189,362**	**10,390**	**26,225**	**1,051**	**4,745**

The table below details the Group's sensitivity to strengthening of the Russian Rouble against US Dollar and EURO by 10%, all other variables being held constant. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2009	**2008**	**2009**	**2008**
Loss	**(19,359)**	**(2,518)**	**(10,525)**	**(15,583)**

The weakening of the Russian Rouble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates, and maintaining an appropriate mix between debt and equity.

As at 31 December 2009 the Group's borrowed funds consist of five-year RUR bonds, series 1 (Note 20), long-term bank loans (Note 14), and finance lease liabilities (Note 15). The Group is exposed to interest rate risk as the Group has issued five-year RUR bonds, series 1 in March 2008 (please refer to Note 20), for which the interest rate is reset after the second (March 2009) and the fourth (March 2010) semi-annual coupon payments respectively (please see also the liquidity risk section).

The coupon rate for the five-year RUR bonds, series 1 for the first and second year is 9.5% and 16.5% per annum respectively. The effective annual interest rate for the first and second year is 10.42% and 18.45%, respectively. If coupon rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by RUR 12,234 thousand, due to the corresponding change in the effective annual interest rate.

The Group is also exposed to interest rate risk in regard to its borrowings. All outstanding loans have been obtained from OJSC "Alfa-Bank" with 12%-12.5% effective annual interest rate (Note 14). According to the terms of contract if the interest rate of Central Bank of Russia changes OJSC "Alfa-Bank" may unilaterally change the contractual interest rate, which may not exceed 13.75%. The loans were obtained in several tranches during November and December 2009. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by RUR 580 thousand.

The Group's finance lease obligations are fixed-rate financial instruments and therefore, they do not expose the Group to additional interest rate risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to receivables in connection with container shipping activities.
Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to the most significant customers of the Group with proven credit history. Sales to other customers are made on a prepayment basis.

The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group's business is dependent on a few large key customers. As of 31 December 2009 62% of the total net amount of trade and other receivables related to the five largest counterparties of the Group (31 December 2008: 54%).

The largest receivables outstanding as of the balance sheet date are as follows:

	2009 Outstanding balance, net
CJSC "Gorodskaya Innovacionno-Lizingovaya Kompaniya" (Note 9)	477,271
OJSC "RZD"	308,074
LLC "Novorossiysky Mazutniy Terminal" (Note 9)	247,800
LLC "Sollers – Elabuga" (LLC "Severstalauto – Elabuga")	93,933
LLC "Volkswagen Group Rus" (LLC "Volkswagen Rus")	69,170
Total	**1,196,248**

	2008 Outstanding balance, net
OJSC "RZD"	439,303
LLC "Volkswagen Rus"	144,634
OJSC "RZDstroy №15"	116,692
Schenker Automotive RailNet GmbH	90,061
LLC "Severstalauto – Elabuga"	87,205
Total	**877,895**

As of 31 December 2009 and 2008 no impairment has been identified for these customers.

Credit risk on liquid funds is limited because these funds are placed only with financial institutions well known to the Group. 96% of total cash and cash equivalents as of 31 December 2009 (2008: 97%), were held with one bank which is related to the Group.

The Group is also exposed to credit risk in respect of its investments in the promissory notes of LLC "Finans-Proekt" (refer to Note 6). The Group received a guarantee with respect to these promissory notes from OJSC "TransCreditBank".

29. SUBSEQUENT EVENTS

Acquisition of flatcars – In January 2010 the Group has purchased 50 flatcars from LLC “InterSystemsCapital” and 90 flatcars from OJSC “TransMash”, for a total amount of RUR 295,772 thousand.

Five-year RUR bonds, series 1 – In March 2010 the holders of RUR 2,000 thousand of bonds put these bonds back to the Group as allowed under the bonds conditions. The Group redeemed these bonds, at par, and then re-issued on the same day at current market rates to various investors. The interest rate for all following interest payments (from fifth to tenth inclusive) has been set at 9.5% p.a. There are no futher put options on the bonds until their maturity in February 2013, and accordingly these bonds have been classified as long term.

Issue of RUR bonds, series 2 – In March 2010 the Group’s management approved an issue of five-year RUR bonds, series 2 for the total amount of RUR 3 billion with 1,000 roubles par value. Bonds will be issued at par. The issue will take place through an open subscription.