Group OJSC "Armada”

Consolidated Financial Statements

prepared in accordance with
the International Financial Reporting Standards (IFRS)
for the year ended 31 December 2012

	Note	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
Revenue	5	5,579	4,656	184	153
Cost of sales	6	(4,550)	(3,869)	(150)	(127)
Gross profit		1,029	787	34	26
Distribution expenses	8	(14)	(19)	-	(1)
Administrative expenses	9	(470)	(296)	(15)	(10)
Other income/ (expenses)	7	(32)	(20)	(1)	(1)
Financial income/ (expenses)	10	(22)	84	(1)	3
Profit before income tax		491	536	16	17
Income tax (expense)/ benefit	11	(81)	(44)	(3)	(1)
Profit for the year		410	492	13	16
Attributable to:					
Shareholders of the Company		274	348	9	11
Non-controlling interest		136	144	4	5
Total comprehensive income		410	492	13	16
Attributable to:					
Shareholders of the Company		274	348	9	11
Non-controlling interest		136	144	4	5
Basic and diluted earnings per share					
Basic earnings per share		RUB 20.74	RUB 27.08	USD* 0.68	USD* 1
Diluted earnings per share		RUB 20.74	RUB 26.81	USD* 0.68	USD* 1

General director Kruglyakov R.A.

Chief accountant Kazakova V.G.

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		31.12.2012 mln RUB	**31.12.2011 mln RUB**	**31.12.2012 mln USD***	**31.12.2011 mln USD***
ASSETS					
Non-current assets					
Property, plant and equipment	13	74	57	2	2
Intangible asssets	12	1,055	990	35	33
Loans		11	10	-	-
		1,140	1,057	37	35
Current assets					
Inventories	14	746	426	25	14
Loans		120	40	4	1
Trade and other receivables	16	2,021	1,800	67	59
Cash and cash equivalents	17	1,079	1,215	36	40
Total current assets		3,966	3,481	132	114
Total assets		5,106	4,538	169	149
EQUITY AND LIABILITIES					
Equity					
Share capital	18	14	14	-	-
Share premium		1,651	1,651	54	54
Treasury shares		(217)	(217)	(7)	(7)
Foreign currency translation reserve		3	3	-	-
Retained earnings		943	669	31	22
Total equity attributable to shareholders of the Company		2,394	2,120	78	69
Non-controlling interest		556	424	18	14
Total equity		2,950	2,544	96	83
Non-current liabilities					
Deferred tax liabilities		145	144	5	5
		145	144	5	5
Current liabilities					
Loans and borrowings ST		-	256	-	8
Deferred income		69	40	2	2
Trade and other payables	20	1,919	1,546	65	51
Income tax payable		23	8	1	-
		2,011	1,850	68	61
Total liabilities		2,156	1,994	73	66
Total equity and liabilities		5,106	4,538	169	149

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	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
OPERATING ACTIVITIES				
Profit before income tax	491	536	16	18
Adjustments for:				
Depreciation and amortisation	81	109	3	4
Unrealised foreign exchange (gain) / loss		-	-	-
(Gain)/ loss on disposal of PPE	(0)	(1)	-	-
(Gain)/loss on trade payables writing off	(9)	(4)	-	-
Loss on accounts receivable written-off	29	-	1	-
Interest expense	72	46	2	2
Interest income	(59)	(36)	(2)	(1)
Other non-cash items, net	8	(48)	-	(2)
Operating profit before changes in working capital and provisions	613	602	20	21
(Increase)/decrease in inventories	(318)	(101)	(10)	(3)
(Increase)/decrease in trade and other receivables	(229)	(694)	(8)	(23)
Increase/ (decrease) in trade and other payables	312	475	10	16
Cash flows from operations before income taxes and interest paid	378	282	12	11
Income taxes paid	(43)	(45)	(1)	(1)
Interest paid	(74)	(44)	(2)	(1)
Cash flows from operating activities	261	193	9	9

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	2012 mln RUB	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
INVESTING ACTIVITIES				
Loans granted	(869)	(695)	(29)	(23)
Repayment of loans granted	788	686	26	23
Interest received	55	19	2	1
Acquisition of property, plant and equipment	(11)	(18)	-	(1)
Payments for business combinations of previous years	-	(45)	-	(1)
Acquisition of intangible assets	(113)	(77)	(4)	(3)
Proceeds from disposal of subsidiaries net of cash disposed	-	4	-	-
Acquisition of subsidiaries, net of cash acquired	5	(145)	-	(5)
Dividends paid	(4)	-	-	-
Cash flows utilised in investing activities	(149)	(271)	(5)	(9)
FINANCING ACTIVITIES				
Proceeds from issue of share capital, net of transaction costs	-	635	-	21
Payments for share options	-	40	-	-
Proceeds from borrowings	2,204	256	73	8
Repayment of borrowings	(2,460)	(164)	(81)	(5)
FOREX	8	-	-	-
Cash flows from financing activities	(248)	767	(8)	24
Net increase in cash and cash equivalents	(136)	689	(4)	24
Cash and cash equivalents at beginning of year	1,215	526	40	17
Cash and cash equivalents at the end of year	1,079	1,215	36	40

General director	Kruglyakov R.A.
Chief accountant	Kazakova V.G.

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mln RUB	Attributable to shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance as at 1 January 2011	12	753	-	1	324	1,090	141	1,231
Profit (loss) for the year	-	-	-	-	348	348	144	492
Foreign currency translation difference	-	-	-	2	-	2	-	2
Total recognized income and expenses for the period	-	-	-	2	348	350	144	494
Shares issued	2	875	-	-	-	877	-	877
Transaction costs	-	(33)	-	-	-	(33)	-	(33)
Share option program compensation gain (loss)	-	16	-	-	-	16	-	16
Sale of trasury shares	-	40	-	-	-	40	-	40
Purchase of treasury shares	-	-	(217)	-	-	(217)	-	(217)
Acquisition of subsidiary	-	-	-	-	-	-	139	139
Disposal of subsidiary	-	-	-	-	(3)	(3)	-	(3)
Balance as at 31 December 2011	14	1,651	(217)	3	669	2,120	424	2,544
Balance as at 1 January 2012	14	1,651	(217)	3	669	2,120	424	2,544
Profit (loss) for the year					274	274	136	410
Total recognized income and expenses for the period	-	-	-	-	274	274	136	410
Dividends paid	-	-	-	-	-	-	(4)	(4)
Balance as at 31 December 2012	14	1,651	(217)	3	943	2,394	556	2,950

General director Kruglyakov R.A.

Chief accountant Kazakova V.G.

	Attributable to shareholders of the Company							
mln USD*	**Share capital**	**Share premium**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2011	-	25	-	-	11	36	5	41
Profit (loss) for the year	-	-	-	-	11	11	5	16
Foreign currency translation difference	-	-	-	-	-	-		-
Total recognized income and expenses for the period	-	-	-	-	11	11	5	16
Shares issued	-	29	-	-	-	29	-	29
Transaction costs	-	(1)	-	-	-	(1)	-	(1)
Share option program compensation gain (loss)	-	-	-	-	-	-	-	-
Sale of trasury shares	-	1	-	-	-	1	-	1
Purchase of treasury shares	-	-	(7)	-	-	(7)	-	(7)
Acquisition of subsidiary	-	-	-	-	-	-	4	4
Disposal of subsidiary	-	-	-	-	-	-	-	-
Balance as at 31 December 2011	-	54	(7)	-	22	69	14	83
Balance as at 1 January 2012	-	54	(7)	-	22	69	14	83
Profit (loss) for the year					9	9	4	13
Total recognized income and expenses for the period	-	-	-	-	9	9	4	13
Foreign currency translation difference	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-		-	-
Balance as at 31 December 2012	-	54	(7)	-	31	78	18	96

General director Kruglyakov R.A.

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1. BACKGROUND

a) Organization and operations

OJSC “Armada” (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies, limited liability companies, as defined in the Civil Code of the Russian Federation, and companies registered abroad Russian Federation. The Company was established in 2005 in the form of open joint stock company and was part of “RBC” group till 2007. In March 2007 the shareholders of the “RBC” group purchased out 95% of ordinary stock of the Company.

In March 2007 RBC transferred the control over the following subsidiaries, which were under common control of the shareholders of “RBC” group and OJSC “Armada”, subsidiaries working in the segment of the Information technologies: LLC "RBC Center”, "RBC Programmniy Produkt”, "Dom dlya PC”, CJSC "RBC Soft”, CJSC "RBC Soft”, CJSC "RBC Engineering” , LLC "Helios Computer”.

The Group's principal activities are development, manufacturing and sale of software; production and distribution of the hardware support; IT-consulting. The services are rendered on the territory of the Russian Federation and abroad.

The company's legal address is: Russian Federation, Moscow, Donskoy proezd, 5, building 6.

b) Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In addition laws and regulations, including interpretations, enforcement and judicial processes, continue to evolve in Russia

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. The Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies

Management of the Group believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that include International Accounting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for investments at fair value through profit or loss and financial investments classified as available-for-sale and held for trading are stated at their fair value.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble (RUR). This currency is also Company’s functional currency and the currency in which these consolidated financial statements are presented. All financial information has been rounded to the nearest million (unless otherwise stated).

d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information that is not part of the consolidated financial statements in compliance with IFRS has been prepared for the convenience of users of the financial statements. Supplementary information is displayed in USD and translated at closing rate as at 31 December 2012 (RUR 30.3727 to USD 1)

All financial information presented in USD has been rounded to the nearest million (unless otherwise stated).

e) Use of judgments, estimates and assumptions

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

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

- Note 3 (e) – depreciation of property, plant and equipment
- Note 3 (f) – intangible assets;

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

i. Subsidiaries

Subsidiaries of the Group are those companies, in which the Group has the power to govern the financial and operating policy to obtain benefits from their activities.

The consolidated financial statements of the Group show the results of activity of the purchased subsidiaries from the moment of establishment of control over them. Consolidation of the subsidiaries is terminated from the date, when the Group lost control over these companies. The share of non-controlling parties is presented separately in the Statement of Financial Position and Statement of Comprehensive Income.

For acquisition of subsidiaries the method of acquisition is applied. The costs for acquisition are estimated basing of fair value of the transferred assets, issued shares and other obligations, which appear at the moment of acquisition. The date of acquisition is the date, at which the Group obtains control over the acquire. In case when the acquisition of the company is done by stages, costs for acquisition are estimated at the date of each transaction.

ii. Transactions between the enterprises under common control

All assets and liabilities as at 01.01.2007 are recognized and estimated in accordance with the requirements of IFRS. Taking into account that all the group's subsidiaries, which were part of RBC group as at 01.01.2007 (OJSC "RBC Informazionnye Systemy”- the company, which were under control of those shareholders, who controlled the Group), were preparing financial statements under IFRS for consolidation purposes, all assets and liabilities were recognized in the estimations, under which were included in the consolidated financial statements of the RBC group. Accounts receivable and accounts payable of the mentioned subsidiaries of the Group in connection with RBC are recorded fully.

Goodwill in relation to operations on formation of the Group in the period from 01.01.2007 till 01.06.2007 was not determined.

The difference between the cost of financial investments of the Company into the subsidiaries and controlled net assets (calculation done as at 01.01.2007) was recognized in retained earnings.

iii. Transactions eliminated on consolidation

Intercompany balances and any unrealized income and expense arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same order as unrealized gain, but only in the part of unimpaired value of the corresponding asset.

iv. Associated companies

Associated companies are those companies, on which the Group has a considerable influence and which are not subsidiaries and interest in the joint activity. The “considerable influence” means an opportunity to participate in taking decisions on financial or operating policy of the company, but not to control or jointly control such policy. Associated companies are taken into account on the method of equity method.

Equity method provides record in the consolidated income statement the equities of the Group in net income (loss) of the associated company for the year. Unrealized gain on the operations between Group and associated companies is excluded in the amount, which corresponds to the share of the Group in the associated companies; unrealized losses are also excluded, except for the cases, when there are signs of decrease of value of the transferred asset.

The share of the Group in each associated company is recorded in the consolidated balance sheet in the amount, which includes the price of acquisition and also its share in the profits and losses and share in change in other comprehensive income from the date of acquisition.

Recognition of losses during use the equity method is terminated from the moment, when the carrying amount of the financial investment into the associated company becomes equal to zero except for those cases, when the Group is liable for obligations of the associated company or gave guarantees in relation to the obligations of the associated company.

b) Foreign currency

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

c) Financial instruments

i. Non-derivative financial instruments

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

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

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

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

ii. Held-to-maturity financial assets

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

iii. Financial assets at fair value through profit or loss

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

iv. Accounts Receivables and Loans

Accounts Receivables and Loans are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortized cost (using the effective interest method), less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

d) Share capital

i. Ordinary shares

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

ii. Repurchase of share capital

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

e) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses.

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

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

ii. <u>Subsequent costs</u>

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

iii. <u>Depreciation</u>

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated.

The estimated useful lives for the current period are as follows:

• Computer equipment	• 5 years
• Office equipment	• 5 years
• Transport	• 5 years
• Other assets	• 5 years

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

f) Intangible assets

i. <u>Goodwill</u>

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill in relation to the operations on formation of the group Armada in the period till 01 June 2007 was not determined.

The difference between the cost of financial investments of OJSC “ARMADA” into the subsidiaries and controlled net assets (calculation done as at 01 January 2007) related to retained earnings.

Acquisitions

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree for the date of acquisition. Goodwill is tested for impairment at each reporting date. For the purpose of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from synergies from the combination.

When a business combination involves more than one transaction any adjustment to those fair values relating to previously held interests of the Group is recognized as a revaluation in equity. No such revaluation is made when the Group acquires an additional minority interest in subsidiaries.

Any premiums paid in excess of the carrying amount of the respective portion of non-controlling interest at the date of acquisition of an additional interest in subsidiaries are recognized in goodwill.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

ii. Software

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

iii. Web-sites

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

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

iv. Capitalized development costs

Costs for development are capitalized only if they can be reliably assessed, the product or the process are practicable from the technical and commercial points of view, it is probable that economic benefits will flow to the entity, and the Group intends to complete the process of working. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use: rent, utilities, internet, telephony, depreciation. Other development expenditure is recognized in profit or loss when incurred.

Capitalized development expenditure is measured at historical cost less accumulated amortization and accumulated impairment losses.

v. Other intangible assets

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

vi. Subsequent expenditure

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

vii. Amortization

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date when they are available for use. The estimated useful lives of amortized assets in the reporting period are as follows:

Software	3 years
Licenses	Indefinite
Trade marks	3 years
Web-sites	3 years
Brand	Indefinite
Capitalized development costs	Indefinite
Customer lists	2-4 years, indefinite

In 2012 and 2011 the Management of the Group having analyzed relevant technological, economic and other relevant factors, assessed useful lives of capitalized developments costs to be indefinite.

viii. Impairment

Intangible assets with indefinite useful life are tested for impairment if there are indications of impairment and at each reporting date.

g) Inventories

Inventories are valued at the lower of costs and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses and costs to complete.

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

h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's balance sheet.

i) Impairment

i. Financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

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

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

ii. Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Provisions

i. Tax provisions

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

ii. Other provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or imputed obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Revenues

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and that revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the considerations received of receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its revenue arrangements.

I. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on deliver of goods.

II. Rendering of services

Revenue from services is recognized by reference to stage of completion

l) Finance income and expenses

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

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

m) Income tax expense

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

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

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

n) Earnings per share

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

o) Lease payments

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

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

p) Operating segments

Segment information is based on management internal reporting. General director is the operation manager on segments. Operation manager receives reports and makes operational decisions on each segment. Operation manager determines three reporting segments: software, hardware and system integration.

q) New Standards and Interpretations

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively. The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011). The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity’s interests in other entities and the effects of those interests on the entity’s financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted. The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.

Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted. The new Standard will not have any impact on the Group’s financial position or performance.

4. SEGMENT REPORTING

Segment information is based on internal management reporting. The information on each segment is prepared separately. Each segment presents a consolidated data of the Group, as the companies are operating in more than one segment.

The General Director is the operation manager on segments. Operation manager receives reports and makes operational decisions on each segment.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) Reporting segments

The Group comprises the following main reporting segments:

Software development. Development, manufacturing and sale of software.

IT services. IT outsourcing, System integration, Consulting, Project management, Education

	Software		**IT services**		**Intersegment**		**Consolidated**	
mln RUB	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue from external customers	2,216	2,082	3,363	2,574	-	-	5,579	4,656
Intersegment revenue	-	-	-	-	-	-	-	-
Total segment revenue	2,216	2,082	3,363	2,574	-	-	5,579	4,656
Gross margin	611	393	418	402		-	1,029	795
Depreciation/Amortization	52	84	28	25	-	-	81	109
Segment assets	1,540	2,029	2,489	2,510	-	-	4,029	4,539
Segment liabilities	856	892	1,299	785	-	-	2,155	1,677

	Software		**IT services**		**Intersegment**		**Consolidated**	
mln USD*	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue from external customers	73	68	110	84	-	-	183	153
Intersegment revenue	-	-	-	-	-	-	-	-
Total segment revenue	73	68	110	84	-	-	183	102
Gross margin	20	13	14	13	-		34	20
Depreciation/Amortization	2	3	1	1	-	-	3	4
Segment assets	51	67	82	82	-	-	132	149
Segment liabilities	28	29	43	26	-	-	71	55

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

5. REVENUE

	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
Software	2,216	2,082	73	69
IT services	2,822	2,344	93	77
Construction contracts	541	230	18	8
	5,579	4,656	184	154

6. COST OF SALES

	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
Cost of goods sold	(1,421)	(1,561)	(47)	(51)
Subcontractors services	(2,167)	(1,354)	(71)	(45)
Materials	(331)	(178)	(11)	(6)
Salary and UST	(157)	(277)	(5)	(9)
Software	-	-	-	-
Amortization of intangible assets	(67)	(83)	(2)	(3)
Depreciation of fixed assets	(14)	(26)	-	(1)
Business trips expenses	(29)	(10)	(1)	-
Licenses	(223)	(172)	(7)	(6)
Construction costs	-	(165)	-	(5)
Other expenses	(141)	(43)	(6)	(1)
	(4,550)	(3,869)	(150)	(127)

7. OTHER INCOME/(EXPENSES)

Other income	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
Rent income	1	2	0	0
Penalties	-	-	0	0
Write-off accounts payable	9	4	0	0
Disposal of fixed assets	-	2	0	-
Income on exceed of acquired share in subsidiary on investment	-	-	0	0
Reversal of Clients base impairment	-	-	0	0
Other operating income	25	15	1	0
	35	23	-	-

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

Other expenses	**2012 mln RUB**	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Accounts receivable written off	(29)	(19)	(1)	(1)
Penalties	(12)	(3)	-	0
Disposal of Fixed assets	-	(1)	-	-
Other operational expenses	(26)	(20)	(1)	(1)
Gain/ (loss) from disposal of inventories	-	-	-	-
	(67)	(43)	(2)	(1)

8. DISTRIBUTION EXPENSES

	2012 mln RUB	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Advertising	(1)	(1)	-	-
Transport expenses	(9)	(17)	-	(1)
Other distribution expenses	(4)	(1)	-	-
	(14)	(19)	-	(1)

9. ADMINISTRATIVE EXPENSES

	2012 mln RUB	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Employee benefits	(275)	(133)	(9)	(4)
Rent expenses	(68)	(61)	(2)	(2)
Materials	(10)	(10)	-	-
Internet, communications	(7)	(9)	-	-
Consulting	(13)	(14)	-	-
Bank charges	(9)	(7)	-	-
Insurance	(15)	(4)	-	-
Taxes other than income tax	(8)	(9)	-	-
Other administrative expenses	(65)	(49)	(2)	(2)
	(470)	(296)	(13)	(8)

10. FINANCIAL INCOME AND EXPENSES

Financial income	**2012 mln RUB**	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Interest income	59	36	2	1
Other financial income	7	51	-	2

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

Financial income	**2012 mln RUB**	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Net Forex gain/ (loss)	-	43	-	1
	66	130	2	4

Financial expenses				
Interest expense	(72)	(46)	(2)	(2)
Net Forex gain/ (loss)	(16)	-	-	-
	(88)	(46)	(2)	(2)

11. INCOME TAX EXPENSE

The Group’s applicable tax rate is 20%. The subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. The income earned by entities incorporated in Panama is not currently subject to income tax.

	2012 mln RUB	**2011 mln RUB**	**2012 mln USD***	**2011 mln USD***
Profit(loss) before income tax	492	535	16	18
Income at apllicable tax rate (20%)	(98)	(107)	(3)	(4)
Tax effect of non-deductible expenses/income	(24)	94	(1)	3
Tax effect of lower tax rates	42	15	1	-
Tax effect of non-taxable income	(1)	-46	-	(2)
	(81)	(44)	(3)	(3)

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

12. INTANGIBLE ASSETS

mln RUB	Software	Web-sites	Licenses	Capitalized development costs	Brands	Goodwill	Other assets	Clients base	Total
Cost									
Balance at 1 January 2011	67	1	12	638	49	275	34	517	1,593
Additions	16	1	-	95	-	-	-	-	112
Acquisitions through business combinations	-	-	-	360	-	10	-	-	370
Reclassifications	221	-	-	(221)	-	-	-	-	-
Balance at 31 December 2011	304	2	12	872	49	285	34	517	2,075
Balance at 1 January 2012	304	2	12	872	49	285	34	517	2,075
Additions	9	-	-	101	-	-	20	-	130
Balance at 31 December 2012	313	2	12	973	49	285	54	517	2,205
Amortization									-
Balance at 1 January 2011	(69)	-	(1)	(273)	(25)	(187)	(2)	(446)	(1,003)
Amortization for the period	(77)	-			-	-	(4)	-	(81)
Balance at 31 December 2011	(146)	-	(1)	(273)	(25)	(187)	(6)	(446)	(1,084)
Balance at 1 January 2012	(146)	-	(1)	(273)	(25)	(187)	(6)	(446)	(1,084)
Amortization for the period	(14)	-	(52)	-	-	-	-	-	(67)
Balance at 31 December 2012	(160)	-	(53)	(273)	(25)	(187)	(6)	(446)	(1,150)
Net book value									
As at 1 January 2011	(2)	1	11	365	24	88	32	71	590
As at 31 December 2011	158	2	11	599	24	98	28	71	991
As at 31 December 2012	152	2	(41)	700	24	98	48	71	1,053

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

mln USD*	Software	Web-sites	Licenses	Capitalized development costs	Brands	Goodwill	Other assets	Clients base	Total
Cost									
Balance at 1 January 2011	2	-	-	21	2	9	1	17	52
Additions	1	-	-	3	-	-	-	-	4
Acquisitions through business combinations	-	-	-	12	-	-	-	-	12
Reclassifications	7	-	-	(7)	-	-	-	-	-
Balance at 31 December 2011	10	-	-	29	2	9	1	17	68
Balance at 1 January 2012	10	-	-	29	2	9	1	17	68
Amortization for the period	-	-	-	3	-	-	1	-	4
Balance at 31 December 2012	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012	10	-	-	32	2	9	2	17	73
Amortization									
Balance at 1 January 2011	(2)	-	-	(9)	(1)	(6)	-	(15)	(33)
Amortization for the period	(3)	-	-	-	-	-	-	-	(3)
Balance at 31 December 2011	(5)	-	-	(9)	(1)	(6)	-	(15)	(36)
Balance at 1 January 2012	(5)	-	-	(9)	(1)	(6)	-	(15)	(36)
Amortization for the period	-	-	(2)	-	-	-	-	-	(2)
Balance at 31 December 2012	(5)	-	(2)	(9)	(1)	(6)	-	(15)	(38)
Net book value									
As at 1 January 2011	-	-	-	12	1	3	1	2	19
As at 31 December 2011	5	-	-	20	1	3	1	2	33
As at 31 December 2012	5	-	(1)	23	1	3	2	2	35

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

(a) Amortization charge

The amortization charges for the year are included in “cost of sales”.

(b) Impairment testing of intangible assets with indefinite useful life

The list of Group’s Intangible assets with indefinite useful lives is :

- Capitalised development costs

Impairment testing of capitalized development costs was based on determination of value in use, revenue growth rate was assumed to be 10% from 2013 to 2017 Terminal value was estimated on 5% annual growth starting from 2017. Weighted average cost of capital was estimated at 13.5%.

Impairment testing of capitalized development costs signifies no impairment of capitalized development costs

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

13. PROPERTY, PLANT AND EQUIPMENT

mln RUB	Hardware	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2011	93	52	26	1	172
Additions	17	8	4	1	28
Disposals	-	-	(6)	-	(6)
Balance at 31 December 2011	108	60	24	2	194
Balance at 1 January 2012	108	60	24	2	194
Additions	24	2	5	0	31
Balance at 31 December 2012	132	62	29	2	225
Depreciation					
Balance at 1 January 2011	(62)	(35)	(12)	(1)	(110)
Depreciation for the period	(17)	(4)	(6)	-	(27)
Balance at 31 December 2011	(79)	(39)	(18)	(1)	(137)
Balance at 1 January 2012	(79)	(39)	(18)	(1)	(137)
Depreciation for the period	(9)	(2)	(3)	-	(14)
Balance at 31 December 2012	(88)	(41)	(21)	(1)	(151)
Net book value					
As at 1 January 2011	31	17	14	-	62
As at 31 December 2011	29	21	6	1	57
As at 31 December 2012	44	21	7	1	74

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

mln USD*	Hardware	Office equipment	Transport	Other assets	Total
Cost					
Balance at 1 January 2011	3	2	1	0	6
Additions	1	0	0	0	1
Disposals	0	0	0	0	0
Balance at 31 December 2011	4	2	1	0	6
Balance at 1 January 2012	4	2	1	0	6
Additions	1	0	0	0	1
Balance at 31 December 2012	4	2	1	0	7
Depreciation					
Balance at 1 January 2011	(2)	(1)	(0)	(0)	(4)
Depreciation for the period	(1)	(0)	(0)	-	(1)
Disposals	-	-	-	-	-
Balance at 31 December 2011	(3)	(1)	(1)	(0)	(5)
Balance at 1 January 2012	(3)	(1)	(1)	(0)	(5)
Depreciation for the period	(0)	(0)	(0)	-	(0)
Disposals	-	-	-	-	-
Balance at 31 December 2012	(3)	(1)	(1)	(0)	(5)
Net book value					
As at 1 January 2011	1	1	0	-	2
As at 31 December 2011	1	1	0	0	2
As at 31 December 2012	1	1	0	0	2

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

14. INVENTORIES

	31.12.2012 mln RUB	31.12.2011 mln RUB	31.12.2012 mln USD*	31.12.2011 mln USD*
Goods for resale	356	169	12	6
Work in progress	297	249	10	8
Raw materials and consumables	92	6	3	0
Finished goods	1	2		
	746	426	25	14

15. CONSTRUCTION CONTRACTS

	2012 mln RUB	2011 mln RUB	2012 mln USD*	2011 mln USD*
Contract revenue recognised	541	230	18	8
Contract costs incurred	(388)	(165)	(13)	(5)
Recognised profits less recognised losses	153	65	5	2
Advances received from customers	-	237	-	8

16. TRADE AND OTHER RECEIVABLES

	31.12.2012 mln RUB	31.12.2011 mln RUB	31.12.2012 mln USD*	31.12.2011 mln USD*
Trade accounts receivable	1,562	1,197	51	39
Advances issued	296	365	10	12
VAT receivable	104	87	3	3
Prepaid expenses	37	18	1	1
Other receivables	41	152	2	5
	2,040	1,820	67	60
Provision for doubtful debtors	(19)	(20)	(1)	(1)
	2,021	1,800	66	59

17. CASH AND CASH EQUIVALENTS

	31.12.2012 mln RUB	31.12.2011 mln RUB	31.12.2012 mln USD*	31.12.2011 mln USD*
Cash in bank and in hand	1,079	1,215	36	40
Cash and cash equivalents in the statement of cash flows	1,079	1,215	36	40

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

18. EQUITY

Share capital and share premium as at 31 December 2011

	Ordinary shares		
	Quantity	**mln RUB**	**mln USD***
Authorized shares	14,399,997	14	-
Par value	RUR 1		
Issued at the begiinning of year	14,399,997	14	-
Issued during the year	-	-	
Treasury shares	(650,687)	(217)	- 7
Shares issued during the year and fully paid	-	-	-
Issued as at end of the year and fully paid	13,749,310	(205)	(7)

Share capital and share premium as at 31 December 2012

	Ordinary shares		
	Quantity	**mln RUB**	**mln USD***
Authorized shares	14,399,997	14	-
Par value	RUR 1		
Issued at the begiinning of year	14,399,997	14	-
Issued during the year	-	-	
Treasury shares	(650,687)	(217)	- 7
Shares issued during the year and fully paid	-	-	-
Issued as at end of the year and fully paid	13,749,310	(205)	(7)

a) Treasury shares

As at 31 December 2012 and 31 December 2011 the Group held 650 687 and 780 690 of its own shares respectively.

b) Dividends

In accordance with Russian legislation the Company’s distributable funds are limited by the accumulated retained earnings, as recorded in Company’s statutory financial statements, prepared in accordance with Russian Accounting Principles.

In the 2012 year the dividends for the year 2011 were not paid

19. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 December 2012 was based on the net profit for the year and the weighted average number of ordinary shares outstanding during 2011 calculated as follows:

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

In thousand of shares	**31.12.2012**
Ordinary shares as at 1 January	14,399
	-651
Effect of excercised share program in January 2012	-2
Effect of excercised share program in February 2012	-79
Effect of excercised share program in March 2012	-36
Weighted average number of ordinary shares for the year	14,305

20. TRADE AND OTHER PAYABLES

	31.12.2012 mln RUB	**31.12.2011 mln RUB**	**31.12.2012 mln USD***	**31.12.2011 mln USD***
Trade accounts payable	1061	769	35	25
Advances received	699	556	23	18
Other taxes payable	45	71	1	2
Other payables and accrued expenses	115	150	4	5
	1,920	1,546	63	50

21. SHARE OPTIONS

In January 2011 the Board of Directors approved option program for top-managers. Under this program within a 2-year period top-managers of the Group, provided that they continue achievement of specified strategic KPI's of the Group, had an option to obtain up to 130,000 shares for free. The participants of the program were not entitled to cash-settlement alternative.

In 2011 and 2012 the Group estimated top-managers compensation expense of RUR 13 million/USD*0.4 million per year as follows:

- The Group has determined fair values of the share option program at the grant date as RUR 207.4/USD* 6.8 for two-years vesting periods
- The fair values of share options have been determined using Black-Scholes option pricing model, on the following assumptions: interest risk free-rate – 6%, dividend yield – 0% and annual volatility -30%.
- In 2012 the Group realized 130 000 share options

22. CONTINGENCIES

(a) Insurance

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

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(b) Litigation

The Group is involved in various claims and legal proceedings arising in the normal course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

23. RELATED PARTIES TRANSACTIONS

(a) Control

The Group has control over all of its subsidiaries (note 25).
The main shareholders are:
as at 31 December 2012– CJSC “Depozitarno-Cliringovaya Companiya”, Necommercheskoe Partnerstvo “Nacionalny depozitarny centre”.
as at 31 December 2010– CJSC “Depozitarno-Cliringovaya Companiya”, Necommercheskoe Partnerstvo “Nacionalny depozitarny centre”.
There were no transactions with these related parties during 2012 year.

(b) Transactions with management and close family members

During the year key management received the remuneration in the form of salaries and bonuses in amount of 26 mln.RUR /* USD 1 mln. (2011 - 41 million RUR/ USD 1.4 million), which are included in personnel costs.

24. SIGNIFICANT SUBSIDIARIES

	Effective ownership
LLC “RBC Soft”	100%
CJSC “Armada Soft”	100%
LLC “ARMADA Center” (former RBC Center)	100%
CJSC “IT Engeneering”	100%
CJSC “Sojuzinform”	55.01%
CJSC “PM Expert”	50.01%
LLC “Post Modern Technology”	51%
LLC “Helios IT”	51%
Commercial Alliance	100%

25. FINANCIAL INSTRUMENTS

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

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I. Credit risk

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

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

Carrying amount of the financial assets represents a maximum amount subjected to credit risk.

The maximum level of the credit risk was the following at the reporting date:

	Book value mln RUB 31.12.2012	**Book value mln RUB 31.12.2011**	**Book value mln USD* 31.12.2012**	**Book value mln USD* 31.12.2011**
Current financial assets				
Loans granted	120	40	4	1
Trade and other receivables	2,026	1,800	67	59
Non-currents financial assets				
Loans granted	6	10	-	-
	3,231	3,065	107	100

II. Impairment losses on trade and other receivables

The aging of trade and other receivables at the reporting date was:

mln RUB	**Gross 31.12.2012**	**Reserve 31.12.2012**	**Gross 31.12.2011**	**Reserve 31.12.2011**
Not past due	1,992	-	1,770	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	29	29	30	(39)
	2,021	29	1,800	(39)

mln USD*	**Gross 31.12.2012**	**Reserve 31.12.2012**	**Gross 31.12.2011**	**Reserve 31.12.2011**
Not past due	66	-	58	-
Past due 1-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	1	1	1	(1)
	67	1	59	(1)

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III. Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value

(fixed rate debt) or their future cash flows (variable rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more appropriate to the Group over the expected period to maturity. At 31 December 2009 the Group did not have financial assets or liabilities with variable interest rate:

Financial instruments with fixed interest rate	**mln RUB** **31.12.2012**	**mln RUB** **31.12.2011**	**mln USD*** **31.12.2012**	**mln USD*** **31.12.2011**
Fianancial assets	126	50	4	2
Financial liablilities	-	(256)	-	(8)
Total	126	(205)	4	(6)

IV. Foreign currency risk

The Group incurs foreign currency risk primarily on financial assets, receivables, payables and

borrowings denominated in a currency other than the functional currencies of the respective Group entities. The following table shows currencies, in which Group's financial instruments are nominated

mln RUB	**In USD** **31.12.2012**	**In USD** **31.12.2011**
Trade and other receivables	496	-
Cash and cash equivalents	151	4
Loans granted	11	11
Total assets	658	15
Trade and other payables	-	(77)
Total liabilities	-	(77)
Total	658	(62)

mln USD	**In USD** **31.12.2012**	**In USD** **31.12.2011**
Trade and other receivables	16	-
Cash and cash equivalents	5	-
Loans granted	-	-
Total assets	21	0
Trade and other payables	-	(3)
Total liabilities	-	(3)
Total	21	(3)

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Foreign currency sensitivity analysis

The following tables indicate the instantaneous change in the Group's profit before taxation that could arise if foreign exchange rates to which the Group has significant exposure at the reporting date had changed a that date, assuming all other risk variables remained constant.

Year ended 31 December 2012	Change in exchange rate	Effect on profit before taxation, mln RUB	Effect on profit before taxation, mln USD*
Depreciation of USD vs. RUB	10%	(66)	(2)

Year ended 31 December 2011	Change in exchange rate	Effect on profit before taxation, mln RUB	Effect on profit before taxation, mln USD*
Depreciation of USD vs. RUB	10%	6	-

V. Liquidity risk

The Group manages liquidity in order to assure access to liquid assets at any moment, when it is necessary to repay liabilities, through the policy of annual budgets, permanent monitoring of forecast and real cash flows and comparison of assets and liabilities repayment schedules.

Classification of financial liabilities by the maturity date, excluding forecasted interest payments and the influence of cross-cancellation agreements.

31 December 2012

mln RUB	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**
Trade and other payables	(1,919)	(1,919)	-	(1,919)
Total	(1,919)	(1,919)	-	(1,919)

31 December 2012

mln USD*	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**
Trade and other payables	(63)	(63)	-	(63)
Total	(63)	(63)	-	(63)

31 December 2011

mln RUB	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**
Trade and other payables	(1,546)	(1,546)	-	(1,546)
Loans and borrowings	(256)	(256)	(256)	-
Total	(1,802)	(1,802)	(256)	(1,546)

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31 December 2011

mln USD*	**Carrying amount**	**Contractual cash flows**	**0-6 months**	**6-12 months**
Trade and other payables	(51)	(51)	-	(51)
Loans and borrowings	(8)	(8)	(8)	-
Total	(59)	(59)	(8)	(51)

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