ROLF - Audited Financial Results for 2008

Moscow - 30 June 2009 – The Rolf Group of Companies, Russia's leading automotive business, today issued 2008 full year results according to IFRS.

In 2008, Revenues increased by 27% from US$3.62 billion to US$4.61 billion. Rolf reported Operating Profit of US$326 million compared to US$239 million in the previous year. The Group achieved a gross profit margin of 20.0% (2007: 18.6%) and a profit margin before income tax and net foreign exchange differences of 5.8% (2007: 5.4%).

The Group sold a total of 160,719 vehicles during the year, an increase of 18% over 2007 on a like-for-like basis.

The audited results show another year of growth and improved Operating Profit performance, but also highlight a number of areas where the current economic crisis has had an impact upon Rolf and its businesses. These include:

Borrowings and the financial structure of Rolf

Rolf maintained its high standards in the management of the Group's finances and in dealings with its creditor banks. Following the global financial crisis, which commenced during the second half of 2008, Rolf maintained good relationships with these banks and the constructive and open dialogue has allowed the Group to continue to finance the operations of the business despite the difficult market conditions. At the end of the year, the Group had total borrowings of US$809 million offset by cash and cash equivalents totaling some US$230 million. In June 2009, the Group signed amendments to the existing facility agreements maturing in that month and in accordance with these amendments, credit facilities amounting to US$145 million are to be repaid in September 2009.

Foreign Exchange

Whilst the functional currency of the Group is the Russian Rouble, Rolf conducts business in a number of currencies. Rolf typically buys new cars in United States Dollars and until spring 2008, had an effective natural hedge in respect of the Rouble/Dollar rate as consumers bought new cars on the basis of a Dollar price that was then converted into a Rouble amount at the Central Bank rate on the day of purchase. From mid-2008, it became market practice for prices to be quoted only in Roubles. This change, together with the fact that most of the Group's borrowings are in Dollars, had a significant impact on Rolf following the rapid fall in the value of the Rouble that was seen from the third quarter of 2008. During 2009, measures have been investigated to put in place for a more formal currency hedging strategy with the aim of ameliorating the impact on the Group's operations of such a sudden decline in the value of the Rouble, should this occur in the future.

Stock and Stock Finance

To facilitate the smooth operation of Rolf's Mitsubishi Distribution business, stock is typically ordered some four to five months before it is expected to be sold in the dealerships. Given production, transit and clearance times, it is not possible for orders to be amended or cancelled without significant penalty. The immediate impact that the financial crisis had on consumer behaviour and the uncertainty prevailing towards the

end of 2008, particularly in respect of the Rouble/Dollar rate, meant that fewer cars were sold than management and the market had anticipated. At year-end, Rolf's Mitsubishi Distribution business held stock in excess of 30,000 cars and, in common with other distribution businesses in the Russian market, 2009 has seen the requirement for heavy promotion and discounting of 2008 car stock in order to sell this through the existing dealership network.

Capital Expenditure

Capital Expenditure increased from US$87 million in 2007 to US$153 million in 2008, concentrated on Rolf's Retail and Supply Chain businesses. This expenditure was part of the on going strategic development of the Group and was all approved in 2006, 2007 or in the early part of 2008. As the impact of the crisis became more understandable and quantifiable, Rolf management evaluated each project and determined whether to proceed, delay or cancel. Only business critical investments or those in a significant stage of completion were allowed to continue including the Group's new logistics compound in Lobnya, which was formally opened in the early part of 2009. Capital projects with a combined value in excess of US$100 million have been delayed or cancelled.

Cost Control

Rolf's focus on cost control was strengthened in 2008 and, as a result of a detailed business review in the second half of the year, additional opportunities for savings were identified across the Group, including rightsizing of operations, renegotiatiions with suppliers and impovement in process efficiency.

For more information please contact:

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Rolf Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditors' Report

31 December 2008

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Board of Directors and other officers

Board of Directors as at 31 December 2008

Sophia Nicolaou
Stavroulla Ioannou
Nicholas James Hawkins
Andreas Papacharalampous (appointed 12 February 2008)

Company Secretary

Zet Secretarial Limited
Elenion Building
5 Themistocles Dervis Street
CY-1591 Nicosia
Cyprus

Registered office

Julia House Building
3 Themistocles Dervis Street
P O Box 22612
CY-1066 Nicosia
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Report of the Board of Directors

1 The Board of Directors presents its report together with the consolidated financial statements of Delance Limited (the “Company”) and its subsidiary companies (“Rolf Group” or the “Group”) for the year ended 31 December 2008.

Principal activity

2 The Group’s principal business activity, which is unchanged from last year, is the sale of vehicles and related services within the Russian Federation and, from late 2008, within Kazakhstan. The Group has an exclusive distribution agreement with Mitsubishi Motors Corporation for importing vehicles into the Russian Federation which was recently renewed until March 2014. In April 2008, the Group began the commercial distribution of Geely vehicles under a distribution agreement with Geely International Corporation, a Chinese manufacturer. The Group sells vehicles to customers through its own network of dealer centres, and through independent dealers throughout Russia. In addition to these agreements with Mitsubishi Motors Corporation and Geely International Corporation, the Group also had non-exclusive purchasing arrangements with Ford, Mazda, Audi, Peugeot, Hyundai and Mercedes and, from September 2008, with Renault and Land Rover. During the year ended 31 December 2008, the Group sold a total of 160,719 vehicles (2007: 154,891 vehicles, including 18,344 vehicles from discontinued operations).

Review of developments, position and performance of the Group’s business

3 The financial position and performance of the Group, as presented in the consolidated financial statements, is considered acceptable given the current market conditions. During the year ended 31 December 2008, the Group achieved a gross profit margin of 20.0% (2007: 18.6%) and a profit margin before income tax and net foreign exchange differences of 5.8% (2007: 5.4%). The Group is the largest independent importer and retailer of vehicles in the Russian Federation. By the end of 2008, there were 29 showrooms in operation for new and pre-owned vehicles and 2 more under construction.

4 On 1 April 2008, the Group acquired 90% of the share capital of Leadstream Limited, owning 100% of the participatory interests in EliteTrans, which is involved in the transportation, customs clearance, warehousing and technical servicing of vehicles in St. Petersburg, Russia. The purchase consideration paid amounted to US$ 20,705 thousand. The Group has an option to acquire the remaining 10% in 2010.

5 On 30 June 2008, the Group acquired the entire minority shareholding of 40% in its consolidated subsidiary Carnet-2000. The consideration paid in the year ended 31 December 2008 amounted to US$ 4,323 thousand.

6 On 1 September 2008, the Group gained control of Avtoprime, Bereg and Prime Avto, involved in the retail and maintenance of vehicles through three dealer centres in St. Petersburg, Russia, which have non-exclusive purchasing arrangements with Renault and Land Rover. The total purchase consideration amounted to US$ 25,477 thousand.

7 In November 2008, two new dealer centres were established in Kazakhstan − Rolf Sayran and Autocenters Rolf. Their operations started in 2009.

8 In November 2008, the new dealer centre Rolf Ural was established in Orenburg. Its operation started in 2009.

Principal risks and uncertainties

9 The principal risk and uncertainty faced by the Group previously related to the renewal of its main distributorship agreement for the Mitsubishi brand. This matter was resolved in March 2009 after signing a new exclusive distribution agreement with Mitsubishi Motors Corporation until March 2014.

10 The current principal risk and uncertainty faced by the Group relates to the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. In addition to this, the Group continues to face significant foreign exchange exposure fluctuations, which can materially effect the Group’s operations.

11 Risks and uncertainties relating to the business and operating environment in the Russian Federation are further disclosed in Notes 2 and 31, and financial risks are disclosed in Note 32.

12 The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the “Credit Crunch”) has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the

Report of the Board of Directors (Continued)

United States of America, Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

Future developments

13 Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Results

14 The Group's consolidated results for the year are set out on page 7. The Board of Directors recommended dividends as detailed below and the remainder of the net profit for the year is retained.

Dividends

15 During 2008, dividends of US$ 20,000 thousand, or US$ 2,000 per share, were declared and paid to the single shareholder.

Share capital

16 There were no changes in the share capital of the Company.

Board of Directors

17 The members of the Board of Directors at 31 December 2008 and at the date of this report are shown on page 1. Sophia Nicolaou, Stavroulla Ioannou and Nicholas James Hawkins were members of the Board throughout the year ended 31 December 2008. In addition, Andreas Papacharalampous was appointed as a Director on 12 February 2008.

18 There being no requirement in the Company's Articles of Association for retirement of Directors by rotation, all Directors remain in office.

19 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

20 In January 2009, the Group repaid a term loan in the amount of US$ 40,000 thousand.

21 In April 2009, the Group repaid loans in the amount of US$ 20,000 thousand.

22 In June 2009, the Group signed amendments to the existing facility agreements maturing in June 2009. In accordance with these amendments, the credit facilities amounting to US$ 145,000 thousand are to be repaid in September 2009.

23 On 9 March 2009, Rolf Import and Mitsubishi Motors Corporation signed a new distribution agreement for the next five years. This new agreement re-affirmed the position of Rolf Import as the exclusive distributor of all new Mitsubishi Motors vehicles and spare parts in Russia until 2014.

24 The Group plans to discontinue retailing of Peugeot vehicles in the second half of 2009.

Branches

25 The Group did not operate through any branches during the year ended 31 December 2008.

By Order of the Board

Andreas Papacharalampous

Director
Nicosia 29 June 2009

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Independent Auditors' Report
To the Members of Delance Limited

Report on the consolidated Financial Statements

We have audited the consolidated financial statements of Delance Limited (the "Company") and its subsidiaries ("Rolf Group" or the "Group") on pages 6 to 46, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 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 the Board of Directors, 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.

Board Members: Phidias K Pilides (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaides, Angelos M Loizou, Vasilis Hadjivassiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantinides, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Constantinos L Kapsalis, Stelios A Violaris
Directors of Operations: Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Bambos A Charalambous, Demetris V Psaltis, George A Ioannou, George C Kazamias, Michael Kliriotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides

Offices: Nicosia, Limassol, Larnaca, Paphos

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PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the expected deterioration in operating results for 2009 at 30 June 2009 and subsequently may cause compliance with certain covenants to become excessively onerous for the Group, and that the Group is currently negotiating the refinancing of its borrowings repayable on or before 30 June 2010. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 30 June 2009

Consolidated Balance Sheet

In thousands of US dollars	Note	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	8	415,018	412,700
Goodwill	9	27,520	-
Intangible assets	10	23,702	13,134
Other financial assets	11	2,492	2,383
Deferred income tax asset	28	32,346	23,741
Total non-current assets		**501,078**	**451,958**
Current assets			
Inventories	12	338,274	305,138
Prepayments for inventories	17	46,772	-
Vehicles in transit	17	-	72,334
Trade and other receivables	13	248,864	221,093
Other financial assets	11	9,836	12,951
Cash and cash equivalents	14	229,793	196,372
Non-current assets held for sale	8	31,383	-
Total current assets		**904,922**	**807,888**
TOTAL ASSETS		**1,406,000**	**1,259,846**
EQUITY			
Share capital	15	10	10
Share premium	15	40	40
Retained earnings		412,248	344,973
Other reserves	16	(18,392)	91,131
Equity attributable to the Company's equity holders		**393,906**	**436,154**
Minority interest		**308**	**16,657**
TOTAL EQUITY		**394,214**	**452,811**
LIABILITIES			
Non-current liabilities			
Borrowings	17	496,168	428,504
Deferred income tax liability	28	20,087	24,207
Derivative financial instruments	20	8,457	4,797
Total non-current liabilities		**524,712**	**457,508**
Current liabilities			
Borrowings	17	312,978	106,944
Financing for vehicles in transit	17	-	64,934
Trade and other payables	21	104,365	113,520
Advances from customers		46,456	41,795
Current income and other taxes payable	18	20,709	20,237
Provisions for liabilities and charges	19	2,566	2,097
Total current liabilities		**487,074**	**349,527**
TOTAL LIABILITIES		**1,011,786**	**807,035**
TOTAL LIABILITIES AND EQUITY		**1,406,000**	**1,259,846**

Approved for issue and signed on behalf of the Board of Directors of Delance Limited on 29 June 2009.

Andreas Papacharalampous, Director

Stavroulla Ioannou, Director

The accompanying notes on pages 10 to 46 are an integral part of these Consolidated Financial Statements.

Consolidated Income Statement

In thousands of US dollars	Note	2008	2007
Revenue			
Vehicles		3,952,557	3,107,919
Spare parts, maintenance and other		654,602	516,687
Total revenue	**6**	**4,607,159**	**3,624,606**
Vehicles, consumables and services	22	(3,686,066)	(2,951,654)
Gross margin		**921,093**	**672,952**
Logistics, insurance and advertising	23	(188,853)	(130,857)
Employee compensation and benefits	24	(232,530)	(197,185)
Office costs, business travel and services	25	(84,709)	(50,180)
Depreciation, amortisation and impairment	8,10	(57,948)	(25,494)
Other operating expenses, net	26	(27,966)	(24,444)
Foreign exchange losses from operations, net		(2,919)	(5,746)
Operating profit		**326,168**	**239,046**
Interest income		6,904	3,657
Finance costs	27	(69,764)	(53,644)
Foreign exchange (losses) / gains on cash and borrowings, net		(129,831)	26,034
Profit before income tax		**133,477**	**215,093**
Income tax expense	28	(50,152)	(63,536)
Profit for the year from continuing operations		**83,325**	**151,557**
Profit for the year from discontinued operations*	30	**-**	**8,489**
Profit for the year		**83,325**	**160,046**
Profit is attributable to:			
Equity holders of the Company		83,373	156,651
Minority interest		(48)	3,395
Profit for the year		**83,325**	**160,046**

Note 30 provides further analysis of the result of discontinued operations for the year ended 31 December 2007.

Consolidated Statement of Changes in Equity

In thousands of US dollars	Note	Attributable to equity holders of the Company				Total	Minority interest*	Total equity
		Share capital	Share premium	Other reserves	Retained earnings			
At 1 January 2007		**10**	**40**	**49,620**	**227,831**	**277,501**	**55,925**	**333,426**
Property, plant and equipment:								
- Revaluation	8	-	-	24,213	-	24,213	-	24,213
- Realised revaluation reserve	16	-	-	(1,016)	1,016	-	-	-
Other movements	16	-	-	366	-	366	-	366
Currency translation differences	16	-	-	28,312	-	28,312	2,545	30,857
Income tax recorded in equity	28	-	-	(5,567)	-	(5,567)	-	(5,567)
Fair value loss on interest rate swap	16	-	-	(4,797)	-	(4,797)	-	(4,797)
Net income recognised directly in equity		-	-	41,511	1,016	42,527	2,545	45,072
Profit for the year		-	-	-	156,651	156,651	3,395	160,046
Total recognised income for 2007		**-**	**-**	**41,511**	**157,667**	**199,178**	**5,940**	**205,118**
Dividends including attributable withholding taxes	15	**-**	**-**	**-**	**(27,076)**	**(27,076)**	**(45,208)**	**(72,284)**
Distributions	15	**-**	**-**	**-**	**(13,449)**	**(13,449)**	**-**	**(13,449)**
At 31 December 2007		**10**	**40**	**91,131**	**344,973**	**436,154**	**16,657**	**452,811**
Property, plant and equipment:								
- Revaluation	8	-	-	24,388	-	24,388	-	24,388
- Realised revaluation reserve	16	-	-	(3,375)	3,375	-	-	-
Acquisition of entire minority shareholding in subsidiary		-	-	-	3,663	3,663	(7,986)	(4,323)
Acquisition of shareholding in subsidiary	29	-	-	-	-	-	493	493
Currency translation differences	16	-	-	(124,751)	-	(124,751)	1,204	(123,547)
Income tax recorded in equity	28	-	-	(5,043)	-	(5,043)	-	(5,043)
Reduction in tax rate in effect from 1 January 2009	28	-	-	2,918	-	2,918	-	2,918
Fair value loss on interest rate swap	16	-	-	(3,660)	-	(3,660)	-	(3,660)
Net (loss) / income recognised directly in equity		-	-	(109,523)	7,038	(102,485)	(6,289)	(108,774)
Profit / (loss) for the year		-	-	-	83,373	83,373	(48)	83,325
Total recognised (loss) / income for 2008		**-**	**-**	**(109,523)**	**90,411**	**(19,112)**	**(6,337)**	**(25,449)**
Dividends including withholding taxes attributable to minority	15	**-**	**-**	**-**	**(20,000)**	**(20,000)**	**(10,012)**	**(30,012)**
Distributions	15	**-**	**-**	**-**	**(3,136)**	**(3,136)**	**-**	**(3,136)**
At 31 December 2008		**10**	**40**	**(18,392)**	**412,248**	**393,906**	**308**	**394,214**

* In discontinued operations – in respect of the year ended 31 December 2007.

The share premium reserve and other reserves are not available for distribution by way of dividend.

Consolidated Cash Flow Statement

In thousands of US dollars	Note	2008	2007*
Cash flows from operating activities			
Profit before income tax from continuing operations		133,477	215,093
Profit before income tax from discontinued operations		-	13,494
Total profit before income tax		**133,477**	**228,587**
Adjustments for:			
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	8,10	57,948	25,494
Impairment of trade and other receivables	26	4,377	1,593
Impairment of inventory	12	8,663	245
Net (gain) / loss on disposal of property, plant, equipment and intangible assets	26	(1,330)	205
Interest expense, net		62,860	47,785
Provision for bonuses, taxes and warranties	19	(2,136)	(12,417)
Foreign exchange differences on borrowings		129,831	(26,034)
Operating cash flows before working capital changes		**393,690**	**265,458**
(Increase) / decrease in trade and other receivables, excluding income taxes		(30,439)	25,154
Increase in inventories		(91,895)	(100,600)
(Increase) / decrease in vehicles in transit - prepaid		(47,981)	1,230
(Increase) / decrease in trade and other payables, excluding dividends		(5,451)	3,465
Increase in advances from customers		13,641	3,485
Increase in taxes payable, excluding income taxes		4,350	749
Cash generated from operations		**235,915**	**198,941**
Income taxes paid		(125,832)	(86,886)
Interest paid including interest capitalised		(53,346)	(50,524)
Net cash generated from operating activities		**56,737**	**61,531**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(121,247)	(85,776)
Proceeds from sale of property, plant and equipment		10,212	6,921
Purchase of intangible assets	10	(15,888)	(9,275)
Purchase of subsidiaries, net of cash acquired	29	(34,214)	-
Purchase of loans receivable		(6,416)	(11,223)
Advance payments to acquire new business	13	(14,610)	(16,585)
Net cash used in investing activities		**(182,163)**	**(115,938)**
Cash flows from financing activities			
Proceeds from borrowings		650,925	650,681
Repayment of borrowings		(380,568)	(493,106)
Dividends paid to equity holders of the Company	15	(49,760)	-
Purchase of entire minority shareholding in a subsidiary		(4,323)	-
Dividends paid to minority interests	15	(10,012)	(44,465)
Cash distributions other than dividends	15	(3,136)	(13,449)
Net cash from financing activities		**203,126**	**99,661**
Effect of exchange rate changes on cash and cash equivalents		**(44,279)**	**9,353**
Net increase in cash and cash equivalents		**33,421**	**54,607**
Cash and cash equivalents at the beginning of the year		**196,372**	**141,765**
Cash and cash equivalents at the end of the year	**14**	**229,793**	**196,372**

* Consolidated cash flow statement in respect of the year ended 31 December 2007 presents cash flows from both continued and discontinued operations. Cash flows from discontinued operations in respect of the year ended 31 December 2007 is separately disclosed in Note 30.

The corresponding figures for 2007 were restated to conform to the changes in the presentation of the current year.

1 The Rolf Group and its Operations

These consolidated financial statements have been prepared for the year ended 31 December 2008 for Delance Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "Rolf Group").

The Company was incorporated in Cyprus on 13 September 2004, and has no corporate parent. The Group is ultimately controlled by a trust acting in the interests of Mr. Petrov's family. The companies previously owned by Mr. Petrov in his personal capacity, and which became subsidiaries of Delance Limited in the period from its incorporation to 31 December 2004, have been consolidated in these consolidated financial statements as subsidiaries. The Petrov Family Trust retains a 51% direct interest in one subsidiary, which has been consolidated without minority interest since the Group has all the voting power and the power to govern its financial and operating policies, and act as its governing bodies under an agreement, and the Group also has the rights to any dividends declared and to purchase the shares at a bargain price.

Principal activity. The Group's principal business activity, which is unchanged from last year, is the sale of vehicles and related services within the Russian Federation and, from late 2008, within Kazakhstan. The Group has an exclusive distribution agreement with Mitsubishi Motors Corporation for importing vehicles into the Russian Federation which was recently renewed until March 2014. In April 2008, the Group began the commercial distribution of Geely vehicles under a distribution agreement with Geely International Corporation, a Chinese manufacturer. The Group sells vehicles to customers through its own network of dealer centres, and through independent dealers throughout Russia. In addition to these agreements with Mitsubishi Motors Corporation and Geely International Corporation, the Group also had non-exclusive purchasing arrangements with Ford, Mazda, Audi, Peugeot, Hyundai and Mercedes and, from September 2008, with Renault and Land Rover. During the year ended 31 December 2008, the Group sold a total of 160,719 vehicles (2007: 154,891 vehicles, including 18,344 vehicles from discontinued operations).

Registered address and place of business. The Company's registered address is Julia House Building, 3 Themistocles Dervis Street, P.O. Box 22612, CY-1066 Nicosia, Cyprus. The Group's principal place of business is 8 Ivana Franko, Moscow, Russian Federation.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and a volatile currency. Despite strong economic growth in recent years, the financial situation in the Russian market significantly deteriorated during 2008, particularly in the fourth quarter. As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Russian stock market since mid-2008. Since September 2008, there has been increased volatility in currency markets and the Russian Rouble (RR) has depreciated significantly against some major currencies. The official US dollar (USD) exchange rate of the Central Bank of the Russian Federation increased from RR 29.38 at 31 December 2008 to RR 36.43 at 19 February 2009 but rebounded to RR 30.91 at 15 June 2009.

Due to increased market volatility, the one-day MosPrime rate fluctuated between 6.75% and 25.17% during January-June 2009.

Starting 1 January 2009, the government of the Russian Federation increased customs import duties on the importation of foreign vehicles, which may have a negative impact on the volume of sales and profitability of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalized procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments. Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

Impact of the ongoing global financial and economic crisis. The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

2 Operating Environment of the Group (Continued)

The volume of wholesale financing in the financial markets has significantly reduced. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Customers of the Group may be adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

The market in Russia for many types of real estate has been severely affected by the recent volatility in global financial markets. As such, the carrying value of land and buildings measured at fair value in accordance with IAS 16 has been updated to reflect market conditions at the reporting date.

Market and forecast results. Since September 2008, the Russian market for vehicles has seen a significant downturn and, at the date of issuing these consolidated financial statements, volumes for 2009 are expected to be approximately 50% lower than for 2008. In response to this, purchase orders for the brands, for which the Group is a distributor, have been significantly reduced to avoid an excessive build up of inventories.

Management's judgment concerning vehicles in transit has changed, as it is no longer reasonable to assume that the Group will necessarily take title to all the vehicles in transit at the balance sheet date. The full value of vehicles in transit at 31 December 2008 was US$ 475,400 thousand. Most vehicle distributors and retailers have been offering significant discounts since April 2009 in order to manage their inventories, and vehicles are likely to be sold in 2009 at negligible, or in some cases negative, gross margins. Marketing support is being negotiated with manufacturers for the distribution segment in response to this discounting, and is expected to be agreed in the second half of 2009.

In response to the decrease in demand, in November 2008, management introduced a cost and staff reduction programme. Although the Group made a profit in 2008, it expects deterioration in its operating results for 2009.

Financial obligations. The Group had US$ 229,793 thousand of cash and cash equivalents as at 31 December 2008, and borrowings of US$ 809,145 thousand. The Group signed amendments to the existing facility agreements maturing in June 2009. In accordance with these amendments, the credit facilities amounting to US$ 145,000 thousand are to be repaid in September 2009. The Group also has principal amounts of US$ 400,000 thousand due for repayment in June 2010. In 2009, the Group repaid loans in the amount of US$ 60,000 thousand.

The expected deterioration in operating results for 2009 may cause compliance with certain covenants to become excessively onerous for the Group at 30 June 2009 and subsequently, and management is proactively involved in discussions with its banks and other lenders either to obtain advance modifications of terms or refinance those borrowings which mature between the balance sheet date and mid-2010. However, if the Group was unsuccessful in these negotiations, and if any breaches of such covenants occurred (for which the Group was unable to obtain waivers) and the relevant lenders declared an event of default on the basis of such breaches, the borrowing would become repayable on demand.

Management considers that, as a result of the above facts, there is a material uncertainty which may cast doubt over the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. However, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that might result if the Group was unable to continue as a going concern, since management is confident that their actions and plans will ensure that the Group's performance will be better than its competitors and that negotiations for refinancing will be successfully completed.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the reporting date, all International Financial Reporting Standards issued by the International Standards Board (IASB) and effective as of 1 January 2008 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of (a) certain provisions of IAS39 'Financial Instruments: Recognition and Measurement' relating to portfolio hedge accounting and (b) the amendment to IAS39 and IFRS7 on the effective date and transition of the 'Reclassification of financial assets'.

Other standard and interpretations which are mandatory for future accounting periods, and which have not been early adopted by the Group, are detailed in Note 5.

3 Summary of Significant Accounting Policies (Continued)

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings, available-for-sale investments and derivatives designated and qualifying as cash flow hedges at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented. All amounts in these consolidated financial statements are presented in thousands of United States dollars, unless otherwise stated. Management considers that this is the most useful currency for the users of the statements.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Consolidated financial statements, business combinations and goodwill. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the net assets of the acquiree in each exchange transaction represents goodwill. The excess of the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost (“negative goodwill”) is recognised immediately in the consolidated income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Minority interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Group. Minority interest forms a separate component of the Group’s equity. The difference, if any, between the carrying value of a minority interest and the amount paid to acquire it is recorded as a gain or loss directly in equity.

Property, plant and equipment. Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

Freehold land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and buildings. Increases in the fair value arising on revaluation of land and buildings are credited to the revaluation reserve in equity. Decreases in fair value that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the consolidated income statement.

Management has updated the carrying value of land and buildings measured in accordance with its revaluation model as at the reporting date using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values. If there is no market based evidence of fair value, fair value is estimated using an income approach.

At the time of each revaluation, the balance of accumulated depreciation is restated in proportion to the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset’s original cost transferred from the revaluation reserve to retained earnings.

3 Summary of Significant Accounting Policies (Continued)

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment are capitalised only when it is probable that future economic benefits associated will flow to the Group and the cost of the item can be measured reliably, and the replaced part is derecognised.

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated income statement, unless it relates to an earlier revaluation in which case, it is charged to the revaluation reserve. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the consolidated income statement in other operating expenses.

Depreciation. Freehold land and assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to reduce their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	40
Plant and machinery	10 to 15
Equipment and motor vehicles	3 to 10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Finance lease liabilities. Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the consolidated income statement over the lease period using the effective interest method.

Assets acquired under finance leases are depreciated over their useful life or a shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include acquired software licences, patents, trademarks and leasehold interests.

3 Summary of Significant Accounting Policies (Continued)

Acquired software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use. Payments made for new or acquired leasehold interests are capitalised. Intangible assets are amortised using the straight-line method over their useful lives:

	Useful life in years
Leasehold interests	49
Acquired software licences	Shorter of the useful life or 5
Acquired trade marks	10
Other	Shorter of the useful life or 20

Software product development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Software product development costs are amortized from the date when they are brought to use.

If there is an indicator of impairment at any balance sheet date, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Available-for-sale investments include investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are carried at fair value. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payment is established and inflow of benefits is probable. All other elements of changes in the fair value of equity instruments are deferred in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from equity to the consolidated income statement.

Impairment losses are recognised in the consolidated income statement when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses on equity instruments are not reversed through the consolidated income statement.

Derivative financial instruments. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) and hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the consolidated income statement. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance costs'. Amounts accumulated in equity are recycled in the consolidated income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement.

Classification of financial liabilities. The Group classifies its financial liabilities into the following measurement categories: (a) held for trading which also includes financial derivatives except those designated as cash flow hedges and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in the consolidated income statement in the period in which they arise. Other financial liabilities are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments and key measurement terms. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All financial assets and liabilities are initially recorded at fair value plus transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related consolidated balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses, except for withholding tax and unified tax on imputed income, which are included in income tax expense.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax balances are measured at tax rates which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group and only if the requirements of IAS 12.74 (a) and (b) are met. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that there are sufficient taxable temporary differences, or that it is probable that future taxable profit will be available, against which the deductions can be utilised. Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of actual cost and net realisable value at the date when risks and rewards have passed to the Group. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

3 Summary of Significant Accounting Policies (Continued)

The amount of the provision 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 amount of the provision is recognised in the consolidated income statement. The primary factors that the Group considers whether a receivable is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- The counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- The counterparty considers bankruptcy or a financial reorganisation;
- There is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to the consolidated income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the consolidated income statement.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, cash in bank, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the balance sheet as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's balance sheet are not reclassified or represented in the comparative balance sheet to reflect the classification at the end of the current period.

A disposal group is assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the balance sheet date. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale property, plant and equipment or disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated or amortised. Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated balance sheet.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Share capital. Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared on or before the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

3 Summary of Significant Accounting Policies (Continued)

Russian value added tax. Output value added tax ("VAT") is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of a VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability.

Borrowings. Borrowings are carried at amortised cost using the effective interest method, and are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to prepare and complete the asset for its intended use. All other borrowing costs are expensed.

Trade and other payables. Trade and other payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are discounted at pre-tax rates reflecting current market assessments of the time value of money and the risks inherent in the liability.

Financial guarantees. Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and all the subsidiaries is the Russian rouble ("RR"), and the Group's presentation currency is the US dollar ("US$").

Monetary assets and liabilities are translated into each entity's functional currency at official exchange rates at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in the consolidated income statement. Translation at year-end rates does not apply to non-monetary items, including equity investments.

Translation from functional to presentation currency. The results and financial position of each Group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

(ii) income and expenses for each consolidated income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Revenue recognition. Revenues from sales of vehicles are recognised at the point of transfer of risks and rewards of ownership to the buyer, after the registration process has been completed. For sales to independent dealers on consignment, this is the transfer of ownership to the ultimate customer, and the dealer's commission is recognised simultaneously as an expense. For direct sales to independent dealers, in which there is no commission payable, the point of transfer is when the dealer takes ownership.

Sales of spare parts are recognised when title and risks have been transferred and maintenance services (including spares consumed and maintenance carried out under manufacturer's warranty) are recognised when the services have been completed and the vehicle has been accepted by the customer.

Sales are shown net of VAT and discounts. Interest income is recognised on a time-proportion basis using the effective interest method. Incentives receivable and payable which are based on quantities of vehicles purchased and sold are accounted for in the consolidated income statement when the conditions applicable under the relevant scheme have been met, usually when the vehicle has been sold to the buyer and no right of return exists. Incentives receivable are deducted from the cost of vehicles, consumables and services, and incentives payable are deducted from sales in the consolidated income statement.

3 Summary of Significant Accounting Policies (Continued)

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Uncertain tax positions, additional taxes and contingencies. The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by the tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date.

Liabilities for additional taxes, penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Provisions for additional taxes, and related interest and penalties, are recognised when the Group has a present legal obligation, and a reliable estimate of the amount can be made. A provision is recognised for additional taxes and interest when they become payable according to the law and for penalties at the time of filing of the related tax return. The provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax and customs authorities, being 3 years from the year of filing. Upon expiry of the review period, the provisions are released and disclosed as a contingent liability until the accounting documentation maintenance period expires, being an additional 2 years (i.e. 5 years in total).

Revaluation and currency translation reserves. The revaluation reserve for property, plant and equipment is transferred to retained earnings when realised through depreciation, impairment, sale or other disposal. The currency translation reserve is transferred to the consolidated income statement when realised through disposal of a subsidiary by sale, liquidation, repayment of share capital or abandonment of all, or part of, that subsidiary.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of buildings and land. Buildings were revalued and carried at the amount of US$ 181,536 thousand (Note 8). The market value of properties can change significantly and swiftly depending on changes in economic trends, decisions by the government authorities, and other factors. The principal assumptions underlying the estimation of the fair value using valuation techniques (Note 8) are those related to the possible market rentals and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The estimated impact on the aggregate valuations of reasonably possible changes in these assumptions is that should the capitalisation rate increase/decrease by 1%, the carrying value of the relevant assets would be US$ 12,000 thousand lower/higher, with an offsetting decrease/increase of US$ 2,400 to deferred tax liabilities and US$ 9,600 thousand to either revaluation reserve, or to profit for the year for any decrease below cost in respect of a property which had no previous revaluation surplus.

Freehold land is revalued and carried at the amount of US$ 70,585 thousand (Note 8). The estimated impact of possible changes in assumptions is that should the market values be 10% lower/higher than suggested by the offering prices on similar properties, then the carrying value of the assets would be approximately US$ 7,000 thousand lower/higher, with an offsetting decrease/increase in deferred tax liabilities of US$ 1,400 thousand and US$ 5,600 thousand to either revaluation reserve, or to profit for the year for any decrease below cost in respect of a property which had no previous revaluation surplus.

Estimated income and deferred taxes. The Group companies are subject to income tax mainly in the Russian Federation, where tax, currency and customs legislation is subject to varying interpretations. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that there are sufficient taxable temporary differences, or that it is probable that future taxable profit will be available, against which the deductions can be utilised. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgments and applies estimations based on expectations of future results that are believed to be reasonable under the circumstances.

4 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plans prepared by management and extrapolated results thereafter. The business plans are based on the management expectations that are believed to be reasonable under the current circumstances.
Key assumptions in the business plans are:

- the Group expects to generate sufficient taxable profits to utilize the accumulated tax losses, and
- the losses carried forward will be utilized before their expiration.

The Group is currently looking at ways to minimize its currency exposure through the use of hedging and other instruments, which will further reduce the likelihood of foreign currency movements causing further tax losses. In addition, The Group is planning to change its intercompany trading terms in order to utilise the losses carried forward in specific entities.

Recognition point of vehicles in transit. Vehicles in transit are accounted for at the time when the risks and rewards of ownership have been transferred to the Group. In the year ended 31 December 2007 and previous years, the point at which risks and rewards of ownership passed to the Group had been assumed to be at the date of shipment from the country of manufacture as it was judged that the majority of risks and rewards were transferred to the Group as at that date. Although the Group had the right to refuse the vehicles until the legal title passed (which is when the cars are imported to Russia), it would have suffered significant penalties, which made it reasonably certain that the Group would assume the legal title of the vehicles in transit and therefore they were recognised on the balance sheet of the Group together with the related liability (see Note 17). As at 31 December 2007, the balance sheet reflected vehicles in transit in the total amount of US$ 72,334 thousand and a related liability in the amount of US$ 64,934 thousand.

In October 2008 management changed this assumption due to the deteriorated market conditions and forecast decrease in demand for vehicles. This made it uncertain that the vehicles in transit would eventually be acquired, and only a limited number of vehicles were ordered in November 2008 and no vehicles ordered in December 2008. Starting from October 2008, the risks and rewards of ownership are therefore assumed to pass to the Group not until the date of transfer of legal title as until that date the Group has the right to refuse the vehicles. As a result of this change, the Group had a purchase commitment at 31 December 2008 amounting to US$ 475,400 thousand (Note 31), whereas at 31 December 2007, the corresponding amount of US$ 64,934 thousand was reflected as a liability on the balance sheet.

Warranty provided by manufacturers. These consolidated financial statements do not include any provision for the warranty offered by the manufacturer of the vehicles sold as the Group does not provide that warranty to customers on its own behalf. The Group is obliged to provide certain types of warranty services which are stated in the contracts with customers on behalf of the manufacturer and is always compensated for those services by the manufacturer.

Contractual arrangement with Hyundai Motor Company. From July 2007, the Group continued to participate in a contractual arrangement with Hyundai Motor Company to undertake economic activity to facilitate the business in the Russian Federation for the importation, distribution, marketing, managing sales, and service and warranty of imported Hyundai vehicles. Up to 31 December 2007, this activity had been carried out by a consolidated subsidiary Carnet-2000 in which until 30 June 2008, when the Group acquired the entire minority shareholding, there was a minority interest.

The private limited liability company, in which the Group owns 20% of the shares, was incorporated and took over the business effective July 2007. In this company, the Group is entitled to have a member of the Board of Directors in proportion to its shareholding, but his responsibilities are limited to advising and supporting on matters relating to Russian government relations, contractors and customers, and he has no authority to represent the company or make commitments on its behalf. Control over the strategy, financing and operating activities and decisions are completely reserved for the members of the Board appointed by Hyundai Motor Company. Therefore, management has concluded that the Group does not exercise significant influence, as defined in IAS 28, over this company, and the Group's interest at a cost of US$ 1,068 thousand has been accounted for as an available-for-sale investment.

Estimate of impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 9.

Reclassifications of prior year figures. Where necessary, corresponding figures have been reclassified to conform to the presentation of the current year, without any change to profit for the year ended 31 December 2007. The effects of the most significant reclassifications were as follows:

In thousands of US dollars	**Note**		**Reclassifications**
Revenue; Logistics, insurance and advertising	6	19,930	Gross presentation of revenue for transportation services and related costs under the assumption that the Group acts as principal, not agent, in a number of contractual arrangements.
Consolidated cash flow statement		(26,034)	"Foreign exchange differences on borrowings" are shown in a separate line, with corresponding adjustments mostly to items in "Working capital changes" and to "Effect of exchange rate changes in cash and cash equivalents".

5 Adoption of New or Revised Standards and Interpretations, and New Accounting Pronouncements

Certain new interpretations became effective from 1 January 2008 but are not relevant to the Group:

- ***Reclassification of Financial Assets—Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures*** and a subsequent amendment, ***Reclassification of Financial Assets: Effective Date and Transition;***
- ***IFRIC 11, IFRS 2—Group and Treasury Share Transactions*** (effective for annual periods beginning on or after 1 March 2007);
- ***IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** (effective for annual periods beginning on or after 1 January 2008).

Pronouncements not yet endorsed by the EU are indicated with an asterisk (*). The Group does not adopt pronouncements until they have been endorsed by the EU. New or revised standards and interpretations that are relevant to the Group but not yet effective and not early adopted by the Group:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Group is currently assessing what impact the standard will have on segment disclosures in the Group's financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The amendment to the standard was to capitalise borrowing costs relating to such assets, and the amendment does not impact the Group's financial statements since the Group has already chosen this policy.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The Group does not expect the amended standard to have a material effect on its financial statements.

IFRS 3, Business Combinations (revised January 2008; 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 Group does not expect the amended standard to have a material effect on its financial statements.

Improving Disclosures about Financial Instruments—Amendment to IFRS 7, Financial Instruments: Disclosures* (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The Group is currently assessing the impact of the amendment on disclosures in its financial statements.

New or revised standards and interpretations that are not yet effective and not early adopted by the Group and not expected to have a significant effect on the Group's financial statements:

IFRIC 12, Service Concession. Arrangements (effective for annual periods beginning on or after 1 January 2008 in accordance with its effective date prescribed by the IASB; adopted by the EU effective for annual periods beginning on or after 30 March 2009, with early adoption permitted).

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009).

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2009).

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

IFRIC 15, Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009).

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted).

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (effective for annual periods beginning on or after 1 January 2009).

5 Adoption of New or Revised Standards and Interpretations, and New Accounting Pronouncements (Continued)

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement* (effective with retrospective application for annual periods beginning on or after 1 July 2009).

Improvements to International Financial Reporting Standards (issued in May 2008):

IFRIC 17, Distribution of Non-Cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009).

IFRS 1, First-time Adoption of International Financial Reporting Standards* (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).

IFRIC 18, Transfers of Assets from Customers* (effective for annual periods beginning on or after 1 July 2009).

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39* (effective for annual periods ending on or after 30 June 2009).

Improvements to International Financial Reporting Standards* (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010).

6 Segment Reporting

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segment, which is mainly the Russian Federation. The Group is organised on the basis of two main business segments:

- Retail – representing retail of all vehicles, maintenance activities and commission income related to the sales of vehicles;
- Non-Retail – representing the distribution of vehicles, accessories and spare parts and other services which have homogeneous risks and rewards.

Starting from the reporting year ended 31 December 2008, the Group changed its business segment presentation aiming to provide more reliable and relevant information about the financial position and performance of its segments in line with changed management strategy. Following the requirements of IAS 1, comparative information was restated and presented below.

6 Segment Reporting (Continued)

Transactions between business segments are on normal commercial terms and conditions. Internal charges between segments have been reflected in the performance of each business segment. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and mainly exclude investments and income tax balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Impairment loss provisions relate only to those charges made against allocated assets. Segment information for the main reportable business segments of the Group for the year ended 31 December 2008 and 2007 is set out below:

In thousands of US dollars	**Retail**	**Non-Retail**	**Eliminations**	**Group**
Year ended 31 December 2008				
Sales – external	2,230,479	2,376,680	-	4,607,159
Sales to other segments	2,369	837,478	(839,847)	-
Total revenue for the year	**2,232,848**	**3,214,158**	**(839,847)**	**4,607,159**
Segment result	**51,618**	**343,240**	**-**	**394,858**
Unallocated expenses				(68,690)
Operating profit				326,168
Net foreign exchange gains on cash and borrowings				(129,831)
Finance costs, net				(62,860)
Profit before income tax				**133,477**
Income tax expense				(50,152)
Profit for the year				**83,325**
Segment assets as at 31 December 2008	**609,945**	**656,156**	**(85,574)**	**1,180,527**
Current and deferred tax assets				88,507
Other unallocated assets				136,966
Total assets				**1,406,000**
Segment liabilities as at 31 December 2008	**120,153**	**138,904**	**(85,574)**	**173,483**
Current and deferred tax liability				29,158
Other unallocated liabilities				809,145
Total liabilities				**1,011,786**
Year ended 31 December 2008				
Capital expenditure	115,702	37,909	-	153,611
Depreciation and amortisation	(39,798)	(18,150)	-	(57,948)

6 Segment Reporting (Continued)

In thousands of US dollars	Retail	Non-Retail	Eliminations	Group
Year ended 31 December 2007				
Sales – external (as previously reported)	1,800,709	1,803,967	-	3,604,676
Reclassifications	20,349	(20,349)	-	-
Change in presentation of certain transportation services (Note 4)	-	19,930	-	19,930
Sales – external	**1,821,058**	**1,803,548**	**-**	**3,624,606**
Sales to other segments (as previously reported)	108,437	747,456	(855,893)	-
Reclassifications	(97,976)	67,651	30,325	-
Sales to other segments	**10,461**	**815,107**	**(825,568)**	**-**
Total revenue (as previously reported)	**1,909,146**	**2,551,423**	**(855,893)**	**3,604,676**
Reclassifications	(77,627)	47,302	30,325	-
Change in presentation of certain transportation services (Note 4)	-	19,930	-	19,930
Total revenue for the year	**1,831,519**	**2,618,655**	**(825,568)**	**3,624,606**
Segment result (as previously reported)	67,203	269,422	-	336,625
Reclassifications	(16,455)	16,455	-	-
Segment result	**50,748**	**285,877**	**-**	**336,625**
Unallocated expenses				(97,579)
Operating profit				239,046
Net foreign exchange gains on cash and borrowings				26,034
Finance costs, net				(49,987)
Profit before income tax				215,093
Income tax expense				(63,536)
Profit for the year for continuing operations				**151,557**
Profit for the year for discontinued operations				**8,489**
Profit for the year				**160,046**
Segment assets (as previously reported)	730,936	588,480	(214,492)	1,104,924
Reclassifications	(114,454)	24,941	89,513	-
Segment assets as at 31 December 2007	**616,482**	**613,421**	**(124,979)**	**1,104,924**
Current and deferred tax assets				35,704
Other unallocated assets				77,683
Total assets for continuing operations				**1,218,311**
Total assets for discontinued operations				**41,535**
Total assets				**1,259,846**
Segment liabilities (as previously reported)	259,833	197,764	(214,492)	243,105
Reclassifications	(118,654)	29,141	89,513	-
Segment liabilities as at 31 December 2007	**141,179**	**226,905**	**(124,979)**	**243,105**
Current and deferred tax liability				30,502
Other unallocated liabilities				532,025
Total liabilities for continuing operations				**805,632**
Total liabilities for discontinued operations				**1,403**
Total liabilities				**807,035**
Year ended 31 December 2007				
Capital expenditure	23,700	62,984	-	86,684
Depreciation and amortisation	(18,574)	(6,920)	-	(25,494)

7 Balances and Transactions with Related Parties

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of relationships, not merely the legal form. The Company's ultimate controlling party is disclosed in Note 1.

i Loans to beneficiaries of the ultimate controlling party:

In thousands of US dollars	Note	2008	2007
Loans included in other financial assets	11	5,463	10,892
Total loans to beneficiaries of the ultimate controlling party		**5,463**	**10,892**

The above loans are subject to 8.0-8.7% annual interest, and are due for repayment within 12 months from the balance sheet date. Interest income on the loans was US$ 911 thousand for the year ended 31 December 2008 (2007: US$ 638 thousand).

ii Loan to directors:

In thousands of US dollars	Note	2008	2007
Loan included in other financial assets	11	-	1,087
Total loan to directors		**-**	**1,087**

The loan was subject to 7.5% annual interest, and was repaid in March 2008. Interest income on the loan was US$ 14 thousand for the year ended 31 December 2008 (2007: US$ 25 thousand).

iii Balances due from / (to) entities under common control:

In thousands of US dollars	Note	2008	2007
Available-for-sale investments	11	81	-
Prepayments for vehicles	13	2,638	-
Trade receivables	13	1,000	-
Other receivables	13	921	293
Trade payables	21	(2,593)	-
Current term loan payable (interest rate: 11.5%)	17	(40,038)	-
Current term loan payable (interest rate: 11.0%)	17	(158)	(144)
Current term loan receivable (interest rate: interest-free)	11	502	-
Non-current term loan receivable (interest rate: interest-free)	11	922	1,315
Current term loan receivable (interest rate: 9%)	11	3,871	896
Total balances due from / (to) entities under common control		**(32,854)**	**2,360**

iv Income / (expenses) with entities under common control:

In thousands of US dollars	Note	2008	2007
Revenue from sale of vehicles and spare parts		2,394	19
Revenue from autoservice and other services		252	-
Purchases of vehicles	22	(7,713)	-
Employee compensation and benefits		260	-
Interest income		671	479
Finance costs	27	(1,492)	(16)
Net foreign exchange losses on cash and borrowings		(4,890)	-
Other expenses		(224)	-
Total income / (expenses) with entities under common control		**(10,742)**	**482**

v Key management personnel compensation:

Directors' fees amounted to US$ 1 thousand (2007: US$ 14 thousand). Compensation of 4 directors holding executive positions and 9 other key management personnel (2007: 3 directors holding executive positions and 16 other key management personnel) consists of fixed remuneration and a performance bonus depending on operating results, paid for their services in full-time positions, as follows:

7 Balances and Transactions with Related Parties (Continued)

v Key management personnel compensation (continued):

In thousands of US dollars	Note	2008	2007
Salaries, wages and short-term benefits for executive functions to:			
Directors		4,647	6,653
Other key management personnel		9,695	19,905
Total key management personnel compensation	**24**	**14,342**	**26,558**

vi Financial guarantees:

As at 31 December 2008, the Group has outstanding guarantees relating to the bank loans obtained by entities under common control. Details are provided in Note 31.

8 Property, Plant and Equipment

In thousands of US dollars	Note	Buildings	Freehold land	Plant and machinery	Equipment and motor vehicles	Assets under construction	Total
Cost at 31 December 2006		**160,198**	**34,969**	**81,248**	**7,582**	**60,258**	**344,255**
Accumulated depreciation		**(12,776)**	**-**	**(21,658)**	**(3,588)**	**-**	**(38,022)**
Carrying amount at 31 December 2006		**147,422**	**34,969**	**59,590**	**3,994**	**60,258**	**306,233**
Additions		596	28,617	46,750	2,442	7,371	85,776
Increases in fair value on revaluation		21,733	2,480	-	-	-	24,213
Capitalised borrowing costs	27	-	-	-	-	1,348	1,348
Transfers		27,800	-	-	-	(27,800)	-
Disposals		-	-	(4,869)	(820)	(1,291)	(6,980)
Depreciation charge		(5,405)	-	(15,750)	(1,415)	-	(22,570)
Translation to presentation currency		11,686	3,744	5,429	299	3,522	24,680
Carrying amount at 31 December 2007		**203,832**	**69,810**	**91,150**	**4,500**	**43,408**	**412,700**
Cost at 31 December 2007		**224,449**	**69,810**	**125,271**	**8,915**	**43,408**	**471,853**
Accumulated depreciation		**(20,617)**	**-**	**(34,121)**	**(4,415)**	**-**	**(59,153)**
Carrying amount at 31 December 2007		**203,832**	**69,810**	**91,150**	**4,500**	**43,408**	**412,700**
Reclassification of the opening balance		3,731	-	221	(118)	(3,834)	-
Acquisitions through business combinations	29	16,278	4,430	8,384	483	685	30,260
Additions		-	7,428	31,766	1,606	80,447	121,247
Capitalised borrowing costs	27	-	-	-	-	2,104	2,104
Transfers		25,230	-	-	-	(25,230)	-
Reclassification to assets held for sale		-	(26,608)	-	-	(4,775)	(31,383)
Disposals		-	(2,541)	(5,795)	(167)	(380)	(8,883)
Depreciation charge		(7,559)	-	(24,723)	(2,029)	(2,441)	(36,752)
Effect of revaluation - impairment in income statement		(13,777)	-	-	-	-	(13,777)
Effect of revaluation - statement of changes in equity		(6,738)	31,126	-	-	-	24,388
Translation to presentation currency		(39,458)	(13,060)	(16,715)	(701)	(14,952)	(84,886)
Carrying amount at 31 December 2008		**181,539**	**70,585**	**84,288**	**3,574**	**75,032**	**415,018**
Cost at 31 December 2008		**201,619**	**70,585**	**128,889**	**9,073**	**75,032**	**485,198**
Accumulated depreciation		**(20,080)**	**-**	**(44,601)**	**(5,499)**	**-**	**(70,180)**
Carrying amount at 31 December 2008		**181,539**	**70,585**	**84,288**	**3,574**	**75,032**	**415,018**

8 Property, Plant and Equipment (Continued)

Included in plant and machinery are vehicle transporters held under finance leases with a carrying value of US$ 8,063 thousand (2007: US$ 9,118 thousand). Minimum lease payments and other information related to the leases are disclosed in Note 17. Borrowing costs of US$ 2,104 thousand (2007: US$ 1,348 thousand), arising on financing for the construction of new, or significantly renovated, dealer centres were capitalised during the period, at the interest rate 6.5% (2007: 7.7%), representing the weighted average borrowing costs of the Group, applied to the balance after excluding prepayments, which were approximately 25% of the value of assets under construction at the balance sheet date.

Assets held for sale include land plots and assets under construction. Management approved a plan to sell freehold land due to the fact that the Group no longer requires these properties. The Group actively markets these assets and expects the sale to be completed by 31 December 2009 for cash consideration. The assets held for sale were revalued by independent appraisers to market value of US$ 31,383 thousand at 31 December 2008 prior to reclassification.

Land and buildings were revalued to fair value at 31 December 2008. The valuation was carried out by an independent firm of valuers, which holds a recognised and relevant professional qualification and has recent experience in valuation of assets of similar location and category.

The basis used for the appraisal was valuation techniques, since there was no reliable market-based evidence of fair value because of the specialised nature of assets, the fact that they are rarely sold, and the absence of information as to settlement prices as opposed to offering prices for recent transaction. In applying the valuation techniques, the fair value of the property was measured either by the income capitalisation method, according to which the value is estimated from the expected market cash flows from comparable property, capitalised to determine the value of property which is subject of valuation, or sales comparables based on offering prices. The capitalisation rate used by the valuer was 11.15%-14.50%, depending on the location of the property.

Land was revalued to market value at 31 December 2008, which resulted in an increase of the revaluation reserve of US$ 31,126 thousand. Buildings were revalued to their market value at 31 December 2008, which resulted in a decrease of US$ 20,515 thousand, with the amount of US$ 13,777 included in depreciation, amortisation and impairment in the consolidated income statement, and the remaining US$ 6,738 thousand, representing the elimination of previous revaluations of those properties, charged to equity.

The carrying amount that would have been recognised in the consolidated financial statements had the assets been carried at historical cost is, for the freehold land, US$ 45,196 thousand (2007: US$ 67,430 thousand) and for the buildings, US$ 135,181 thousand (2007: US$ 149,701 thousand) respectively.

9 Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

In thousands of US dollars	**Note**	**2008**
Gross book value at 1 January		-
Accumulated impairment losses at 1 January		-
Carrying amount at 1 January		-
Acquisition of subsidiaries	29	27,520
Carrying amount at 31 December		**27,520**
Gross book value at 31 December		27,520
Accumulated impairment losses at 31 December		-
Carrying amount at 31 December		**27,520**

Goodwill impairment test. Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment) as follows:

In thousands of US dollars	**Note**	**2008**
Retail (Avtoprime)	29	11,255
Non-retail (EliteTrans)	29	16,265
Total carrying amount of goodwill		**27,520**

9 Goodwill (Continued)

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated assuming no growth.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2008
Growth rate beyond three years	None
Pre-tax discount rate	18.7% p.a. for Avtoprime, 18.1% for Elite Trans
Revenue - Avtoprime	US$ 328,000 thousand
Revenue - EliteTrans	US$ 119,000 thousand

Management determined the budgeted gross margin of CGUs based on the past performance and the market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

If the revised estimated pre-tax discount rate applied to the discounted cash flows of non-retail CGU (EliteTrans) and retail CGU (Avtoprime) had been 10% higher than management's estimates, the Group would need to reduce the carrying value of goodwill for EliteTrans by US$ 3,973 thousand and goodwill for Avtoprime by US$ 4,857 thousand. If the revised estimated revenue used for the discounted cash flows of non-retail CGU (EliteTrans) and retail CGU (Avtoprime) had been 20% lower than management's estimates, the Group would need to reduce the carrying value of goodwill for EliteTrans by US$ 4,054 thousand and goodwill for Avtoprime by US$ 9,606 thousand.

Had any of this impairment been recognised, the Group would not be able to reverse any impairment losses that arose on goodwill in subsequent periods even if circumstances improve. The recoverable amount of CGUs exceeds its carrying amount by US$ 17,326 thousand. The CGUs' carrying amount would equal to value in use at a pre-tax discount rate of 23.9% p.a. for EliteTrans and 24.6% p.a. for Avtoprime.

10 Intangible Assets

In thousands of US dollars	Note	Leasehold interests	Acquired software licences	Acquired trade mark	Other	Software product development	Total
Cost at 31 December 2006		**655**	**6,984**	**-**	**691**	**-**	**8,330**
Accumulated amortisation		**(13)**	**(1,656)**	-	**(445)**	-	**(2,114)**
Carrying amount at 31 December 2006		**642**	**5,328**	**-**	**246**	**-**	**6,216**
Additions		-	4,373	-	1,899	3,003	9,275
Disposals		-	-	-	(146)	-	(146)
Amortisation charge		(14)	(2,104)	-	(806)	-	(2,924)
Translation to presentation currency		46	482	-	58	127	713
Carrying amount at 31 December 2007		**674**	**8,079**	**-**	**1,251**	**3,130**	**13,134**
Cost at 31 December 2007		**703**	**12,030**	**-**	**2,560**	**3,130**	**18,423**
Accumulated amortisation		**(29)**	**(3,951)**	**-**	**(1,309)**	**-**	**(5,289)**
Carrying amount at 31 December 2007		**674**	**8,079**	**-**	**1,251**	**3,130**	**13,134**
Reclassification of the opening balance		-	(535)	-	535	-	-
Acquisitions through business combinations	29	1,098	21	3,723	1,824	-	6,666
Additions		-	5,238	-	10,343	307	15,888
Amortisation charge		(81)	(4,612)	(114)	(2,612)	-	(7,419)
Translation to presentation currency		(282)	(1,341)	(599)	(1,783)	(562)	(4,567)
Carrying amount at 31 December 2008		**1,409**	**6,850**	**3,010**	**9,558**	**2,875**	**23,702**
Cost at 31 December 2008		**1,506**	**13,528**	**3,114**	**12,145**	**2,875**	**33,168**
Accumulated amortisation		**(97)**	**(6,678)**	**(104)**	**(2,587)**	**-**	**(9,466)**
Carrying amount at 31 December 2008		**1,409**	**6,850**	**3,010**	**9,558**	**2,875**	**23,702**

Acquired trade mark represents registered trade mark "Avtoprime", acquired through business combination (Note 29).

11 Other Financial Assets

In thousands of US dollars	**Note**	**31 December 2008**	**31 December 2007**
Investments in related companies	7,33	81	-
Other investments	33	1,489	1,068
Loans to related companies	7,33	922	1,315
Total non-current other financial assets		**2,492**	**2,383**

In thousands of US dollars	**Note**	**31 December 2008**	**31 December 2007**
Interest bearing loans to beneficiaries of the Group's ultimate controlling party, repayable within 12 months of the balance sheet date	7,33	5,463	10,892
Loan to directors	7,33	-	1,087
Loans to entities under common control	33	4,373	896
Other loans	33	-	76
Total current other financial assets		**9,836**	**12,951**

At 31 December 2008, the current loans to entities under common control include interest-free current term loans receivable of US$ 502 thousand (2007: none) and non-current term loans receivable of US$ 3,871 thousand with interest rate - 9% (2007: US$ 896 thousand with interest rate - 9%), see Note 7.

The primary factor that the Group considers in determining whether a debt security is impaired is its overdue status. The Group considers its non-current and current other financial assets unimpaired.

12 Inventories

In thousands of US dollars	**31 December 2008**	**31 December 2007**
Vehicles at storage areas, Group warehouses and dealer centres	257,653	226,179
Vehicles in transit at non-Group company dealer centres	27,413	11,454
Spare parts for vehicles and maintenance in progress	46,946	62,748
Other materials	6,262	4,757
Total inventories	**338,274**	**305,138**

Spare parts carried at US$ 46,946 thousand are net of provisions of US$ 2,210 thousand (2007: US$ 1,892 thousand) to reduce cost to net realisable value.

Vehicles at stock and in transit carried at US$ 285,066 thousand are net of provisions of US$ 8,345 thousand (2007: none) to reduce cost to net realisable value.

13 Trade and Other Receivables

In thousands of US dollars	**Note**	**31 December 2008**	**31 December 2007**
Trade receivables		56,157	62,602
Current portion of receivable from sale of business		405	1,508
Other receivables		15,730	14,555
Less impairment loss provision against trade and other receivables		(3,249)	(905)
Trade and other receivables excluding prepayments, net of impairment loss provision	**33**	**69,043**	**77,760**
VAT recoverable and other taxes prepaid		68,141	65,391
Prepayments for vehicles		17,190	15,090
Prepayments for purchase of new businesses		14,610	16,585
Income tax prepayments		56,161	14,628
Other prepayments		23,719	31,639
Total trade and other receivables		**248,864**	**221,093**

At 31 December 2008, prepayments for vehicles include prepayments from related parties of US$ 2,638 thousand (2007: none), see Note 7.

13 Trade and Other Receivables (Continued)

At 31 December 2008, trade receivables include receivables from related party of US$ 1,000 thousand (2007: none), see Note 7.

At 31 December 2008, other receivables include receivables from related parties of US$ 921 thousand (2007: US$ 293 thousand), see Note 7.

Trade and other receivables of US$ 28,317 thousand (2007: US$ 34,709 thousand), net of impairment loss provision, are denominated in foreign currency, mainly in Euro - 53% (2007: in US dollars - 91%).

The Group made advance payments in 2007 and 2008 for the acquiring of new businesses.

Trade and other monetary receivables are due from unlisted medium-sized and small companies and individual entrepreneurs in the Russian Federation.

In thousands of US dollars	**31 December 2008**	**31 December 2007**
Not overdue	55,444	62,789
Overdue, not impaired	12,905	14,971
Overdue, impaired	3,943	905
Total trade and other receivables excluding prepayments	**72,292**	**78,665**

Any debts more than 60 days after payment term are considered overdue.

Movements in the impairment provision for trade and other receivables are as follows:

In thousands of US dollars	**31 December 2008**	**31 December 2007**
Provision for impairment at 1 January	**905**	**1,890**
Reversal of provision for impairment during the year	(354)	(242)
Amounts written off during the year as uncollectible	-	(920)
Increase in provision for impairment during the year	3,382	-
Currency translation differences	(684)	177
Provision for impairment at 31 December	**3,249**	**905**

Trade and other receivables that were written off to the consolidated income statement during the year ended 31 December 2008 as uncollectible and not previously provided for amounted to US$ 1,349 thousand (2007: US$ 2,755 thousand).

13 Trade and Other Receivables (Continued)

Movements in prepayments are as follows:

In thousands of US dollars	Prepayments for vehicles	Prepayments for purchase of new businesses	Other prepayments	Income tax prepayments	VAT recoverable and other taxes prepaid	Total
Carrying value at 1 January 2007	**72,097**	**-**	**34,551**	**6,538**	**54,539**	**167,725**
Additions	11,584	15,917	33,264	86,145	829,733	976,643
Prepayments transferred to construction in progress	-	-	(9,588)	-		(9,588)
Prepayments derecognised on receipt of related goods or services	(66,489)	-	(28,883)	(78,836)	(821,228)	(995,436)
Currency translation differences	(2,102)	668	2,295	781	2,347	3,989
Total prepayments at 31 December 2007	**15,090**	**16,585**	**31,639**	**14,628**	**65,391**	**143,333**
Additions	18,736	10,785	18,109	125,831	928,591	1,102,052
Prepayments derecognised on receipt of related goods or services	(13,383)	(13,120)	(21,316)	(73,892)	(920,547)	(1,042,258)
Currency translation differences	(3,253)	360	(4,713)	(10,406)	(5,294)	(23,306)
Total prepayments at 31 December 2008	**17,190**	**14,610**	**23,719**	**56,161**	**68,141**	**179,821**

14 Cash and Cash Equivalents

In thousands of US dollars	Note	31 December 2008	31 December 2007
RR denominated balances		28,047	18,746
US$ denominated balances		1,655	17,635
Other currency denominated balances		537	1,434
RR denominated term deposits (interest rate 4.3-10.5%)		54,181	119,382
Euro denominated term deposits (interest rate 2.0%)		7,969	-
US$ denominated term deposits (interest rate 0.1-0.5%)		137,100	6,675
Cash and cash equivalents in continuing operations		**229,489**	**163,872**
RR denominated balances		284	11
US$ denominated balances		6	616
Euro denominated balances		14	15
RR denominated term deposits		-	31,858
Cash and cash equivalents in discontinued operations	**30**	**304**	**32,500**
Total cash and cash equivalents		**229,793**	**196,372**

All term deposits have original maturities of less than 3 months. All term deposits are neither past due nor impaired.

Analysis by credit quality of cash and cash equivalents is as follows (see also Note 33):

In thousands of US dollars	31 December 2008			31 December 2007		
	Bank balances payable on demand	Term deposits	Cash in hand	Bank balances payable on demand	Term deposits	Cash in hand
Rating by Standard and Poor's						
BB- to BB+ rated	15,621	86,515	-	16,891	41,407	-
BBB rated	1,931	102,525	-	18,503	116,507	-
Not rated	11,845	10,210	1,146	2,257	-	807
Total cash and cash equivalents	29,397	199,250	1,146	37,651	157,914	807

15 Share Capital and Dividends

In thousands of US dollars	Ordinary shares	Share premium	Total
At 31 December 2008 and 2007	**10**	**40**	**50**
Total share capital	**10**	**40**	**50**

Delance Limited was incorporated with a share capital of US$ 10 thousand, representing 10 thousand authorised and issued fully paid ordinary shares of US$ 1 each, issued in September 2004 at a premium of 4 times the nominal amount.

Dividends declared and paid during the years ended 31 December 2008 and 2007 were as follows:

In thousands of US dollars	Note	2008	2007
Dividends payable at 1 January *(net of withholding tax)*	21	**25,670**	**-**
- attributable withholding tax payable	18	1,406	-
- attributable withholding tax on intercompany dividends payable	18	2,684	-
Dividends declared during the year *(net of withholding tax)*		**29,518**	**70,135**
- including dividends declared to minority		9,518	44,465
Withholding tax accrued		**3,899**	**4,833**
- including withholding tax attributable to minority		494	743
Dividends paid during the year *(net of withholding tax)*		**(55,188)**	**(44,465)**
- including dividends paid to minority		(9,518)	(44,465)
Withholding tax paid		**(5,584)**	**(743)**
- including withholding tax attributable to minority		(494)	(743)
Dividends payable at 31 December *(net of withholding tax)*	21	**-**	**25,670**
- attributable withholding tax payable	18	-	1,406
- attributable withholding tax on intercompany dividends payable	18	2,405	2,684

In US dollars	2008	2007
Total dividends per share declared	**2,000**	**2,567**

In 2007, dividends of US$ 25,670 thousand, or US$ 2,567 per share, were declared to the single shareholder, and the attributable withholding tax amounted to US$ 1,406 thousand. The total dividends and the attributable withholding tax amounted to US$ 27,076 thousand. Both dividends and the attributable withholding tax were paid in 2008.

Dividends were declared and paid by the subsidiary which carried out the discontinued operation in 2007. The total dividends and attributable withholding taxes charged against the minority interest for the year ended 31 December 2007 were US$ 45,208 thousand.

In 2008, dividends of US$ 20,000 thousand, or US$ 2,000 per share, were declared and paid to the single shareholder.

Dividends were declared and paid by the subsidiary which carried out the discontinued operation in 2008. The total dividends and attributable withholding taxes charged against the minority interest for the year ended 31 December 2008 were US$ 10,012 thousand.

Other items described as distributions in the consolidated statement of changes in equity of US$ 3,136 thousand (the year ended 31 December 2007: US$ 13,449 thousand) represent funds, assets or other benefits which were made available to the ultimate beneficial owner of Delance Limited by the Group.

The share premium is not available for distribution by way of dividends.

16 Other Reserves

In thousands of US dollars	**Note**	**Revaluation reserve**	**Cumulative currency translation reserve**	**Fair value loss on interest rate swap**	**Total**
At 31 December 2006		**25,601**	**24,019**	-	**49,620**
Revaluation, net of tax		18,646	-	-	**18,646**
Realised revaluation reserve		(1,016)	-	-	**(1,016)**
Currency translation		-	28,312	-	**28,312**
Other movements		366	-	-	**366**
Fair value loss on interest rate swap	20	-	-	(4,797)	**(4,797)**
At 31 December 2007		**43,597**	**52,331**	**(4,797)**	**91,131**
Revaluation, net of tax and including the effect of reduction in tax rate		22,263	-	-	**22,263**
Realised revaluation reserve		(3,375)	-	-	**(3,375)**
Currency translation		1	(124,752)	-	**(124,751)**
Fair value loss on interest rate swap		-	-	(3,660)	**(3,660)**
At 31 December 2008		**62,486**	**(72,421)**	**(8,457)**	**(18,392)**

The total change in value of assets held for sale arising from the revaluation is US$ 5,736 thousand.

Other reserves are not available for distribution by way of dividends.

17 Borrowings, Finance Lease Liabilities and Financing for Vehicles in Transit

In thousands of US dollars	**31 December 2008**	**31 December 2007**
Term loans	560,075	289,179
Eurobonds	247,605	244,547
Finance lease liabilities	1,466	1,722
Total borrowings	**809,146**	**535,448**
Less current portion	**(312,978)**	**(106,944)**
Non-current borrowings	**496,168**	**428,504**

At 31 December 2008, the term loans include short-term loan payable to related party of US$ 40,038 thousand with contractual interest rate – 11.5% (2007: none) and short-term loan payable to related party of US$ 158 thousand with contractual interest rate – 11.0% (2007: US$ 144 thousand with contractual interest rate – 11.0%), see Note 7.

The Group's borrowings mature as follows:

In thousands of US dollars		**31 December 2008**	**31 December 2007**
Borrowings due:	- within 1 year	312,978	106,944
	- between 1 and 5 years	496,168	428,504
Total borrowings		**809,146**	**535,448**

The Group's borrowings are denominated in currencies as follows:

In thousands of US dollars		**31 December 2008**	**31 December 2007**
Borrowings denominated in:	- US dollars	807,680	533,726
	- Euro	472	1,722
	- RR	994	-
Total borrowings		**809,146**	**535,448**

The term loan agreements and the Eurobond prospectus contain restrictions on changes to the composition of the Group, acquisitions, disposals, dividends, covenanted financial ratios, indebtedness, new charges and liens on assets, and other similar terms and conditions, but none of the Group's individual assets are pledged in connection with these obligations.

17 Borrowings, Finance Lease Liabilities and Financing for Vehicles in Transit (Continued)

The effective interest rates at the balance sheet date were as follows:

	31 December 2008				31 December 2007		
In thousands of US dollars	**Effective interest rate**	**US dollars**	**Euro**	**Russian roubles**	**Effective interest rate**	**US dollars**	**Euro**
Term loans – US dollars	5.03-11.50%	560,075	-	-	6.6-7.1%	289,179	-
Eurobonds – US dollars	8.99%	247,605	-	-	9.29%	244,547	-
Finance lease liabilities - Euro	8.60%	-	472	-	8.60%	-	1,722
Finance lease liabilities - RR	11-12%	-	-	994	-	-	-
Total borrowings		**807,680**	**472**	**994**		**533,726**	**1,722**

In March 2008, the Group signed an amendment to the facility agreement, providing 2 new credit facilities for a total up to US$ 100,000 thousand subject to market interest rates to be repaid within a period of 12 months with an option of extension for an additional 12 months.

In July 2008, the Group signed a loan agreement, providing a new credit facility for a total up to US$ 100,000 thousand, subject to a market interest rate to be repaid over a period of 12 months with an option of extension for an additional 12 months.

In December 2008, the Group signed a loan agreement, providing a new credit facility for a total up to US$ 40,000 thousand, subject to a market interest rate to be repaid within a period of 12 months.

The balance of term loans at 31 December 2008 was US$ 560,075 thousand, including accrued interest of US$ 332 thousand less unamortized transaction costs of US$ 1,885 thousand.

The balance related to the bond issue at 31 December 2008 was US$ 247,605 thousand, comprised of principal amount of US$ 250,000 thousand plus accrued interest of US$ 115 thousand less transaction costs of US$ 2,510 thousand. The market value of bond liabilities was impacted by the ongoing global financial and economic crisis. At 31 December 2008, it amounted to US$ 53,750 thousand determined on the quoted market prices at this date, and at 31 May 2009, it amounted to US$ 66,250 thousand determined on the quoted market prices at this date.

There were no unused facilities of term loans available to the Group at 31 December 2008 (2007: US$ 126,944 thousand).

Minimum lease payments under finance leases and their present values are as follows:

In thousands of US dollars	**Due in 1 year**	**Due between 1 and 5 years**	**Total**
Minimum lease payments at 31 December 2008	1,362	453	1,815
Less future finance charges	(310)	(39)	(349)
Total minimum lease payments under finance leases and their present values at 31 December 2008	**1,052**	**414**	**1,466**

In thousands of US dollars	**Due in 1 year**	**Due between 1 and 5 years**	**Total**
Minimum lease payments at 31 December 2007	1,347	713	2,060
Less future finance charges	(189)	(149)	(338)
Total minimum lease payments under finance leases and their present values at 31 December 2007	**1,158**	**564**	**1,722**

Leased assets with the carrying amount disclosed in Note 8 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lesser in the event of default.

17 Borrowings, Finance Lease Liabilities and Financing for Vehicles in Transit (Continued)

Financing for vehicles in transit

In thousands of US dollars	31 December 2008	31 December 2007
Financing for vehicles in transit	-	64,934
Total financing for vehicles in transit	**-**	**64,934**

Financing for vehicles in transit represents a revolving trade finance facility of up to US$ 970,000 thousand (2007: US$ 520,000 thousand) from a subsidiary of Mitsubishi Corporation which is a third party to the Group, under which 89.77% of the purchase price of each vehicle is payable by the Group within 110 days (extended on some vehicles produced in September and October 2008 to 350 days) after the 11th day of the start of the relevant production month. The Group makes a 10.23% prepayment for the vehicles on the fifth day of the month preceding the relevant production month, which amounted to a total of US$ 46,772 thousand as at 31 December 2008. The point at which the Group recognises the asset in inventory and the liability for the remainder of the price of the vehicles was changed in October 2008, due to the deteriorated market conditions and forecast decrease in demand for vehicles (note 4).

The unused facility available to the Group at 31 December 2008 was US$ 494,600 thousand (2007: US$ 455,066 thousand), and the rate of interest during the year ended 31 December 2008 varied from 5.92% to 8.45% (2007: from 8.5% to 10.2%).

18 Current Income and Other Taxes Payable

In thousands of US dollars	Note	31 December 2008	31 December 2007
Value-added tax (VAT)		10,646	5,285
Property and other taxes		3,558	3,824
Income tax		4,100	7,038
Unpaid tax on dividend income	15	2,405	4,090
Total current income and other taxes payable		**20,709**	**20,237**

19 Provisions for Liabilities and Charges

In thousands of US dollars	Note	Taxes other than on income
Carrying amount at 1 January 2008		**2,097**
Additions	29	3,092
Unused amounts reversed		(2,136)
Currency translation differences		(487)
Carrying amount at 31 December 2008		**2,566**

The new provisions for liabilities and charges arose on business combinations and represent taxes other than on income for which inspection period have not expired.

Unused amounts of provisions are reversed in the result of the expiry of fiscal periods subject to review by the tax authorities.

20 Derivative Financial Instruments

In thousands of US dollars	Note	31 December 2008	31 December 2007
Interest rate swap - cash flow hedge	16	8,457	4,797
Total non-current liability on interest rate swap		**8,457**	**4,797**

The notional principal amount of the outstanding interest rate swap contract at 31 December 2008 was US$ 150,000 thousand (2007: US$ 150,000 thousand). At 31 December 2008, the fixed interest rate is 5.03%, and the floating interest rate is 3 month USD-LIBOR-BBA as provided in the interest rate swap contract.

The loss recognised in the hedging reserve in equity on the interest rate swap contract as at 31 December 2008 will be continuously released to the consolidated income statement until the repayment of the bank borrowings in mid-2010.

21 Trade and Other Payables

In thousands of US dollars	Note	31 December 2008	31 December 2007
Trade payables		63,113	28,938
Accrued liabilities and other creditors		29,867	34,454
Accrued employee benefit costs		11,385	24,458
Dividends payable	15	-	25,670
Total trade and other payables		**104,365**	**113,520**

At 31 December 2008, the trade payables include payables to related party of US$ 2,593 thousand (2007: none), see Note 7.

Trade payables, accrued liabilities and other creditors of US$ 42,570 thousand (2007: US$ 13,312 thousand) are denominated in foreign currency, mainly in US dollars - 83%(2007: in US dollars - 85%).

22 Vehicles, Consumables and Services

In thousands of US dollars	2008	2007
Vehicles purchased	3,369,490	2,857,816
Spare parts and materials used	283,432	286,232
Change in inventories	54,370	(185,309)
Incentives from manufacturers	(30,550)	(20,107)
Customer relations	4,469	3,702
Other	4,855	9,320
Total vehicles, consumables and services	**3,686,066**	**2,951,654**

The amount of vehicles purchased for 2008 includes purchases of vehicles from related parties in the amount of US$ 7,713 thousand (2007: none), see Note 7.

23 Logistics, Insurance and Advertising

In thousands of US dollars	2008	2007
Transportation	95,383	75,663
Advertising and promotion	54,351	29,714
Customs clearance, storage and related costs	34,242	22,042
Insurance	4,877	3,438
Total logistics, insurance and advertising	**188,853**	**130,857**

24 Employee Compensation and Benefits

In thousands of US dollars	Note	2008	2007
Employee compensation and benefits		218,188	170,627
Compensation to key management personnel	7	14,342	26,558
Total employee compensation and benefits		**232,530**	**197,185**

Employee compensation and benefits include statutory social security and pension contributions of US$ 24,669 thousand (2007: US$ 22,928 thousand).

25 Office Costs, Business Travel and Services

In thousands of US dollars	2008	2007
Rent and utilities	21.656	7.136
Repair and maintenance	19,169	7,970
Professional services	15,876	16,463
Travel and motoring	4,966	3,320
Materials, office stationary	4,760	2,766
Security	4,158	2,930
Postal expenses	2,658	1,028
Recruitment and training	2,263	2,121
Representative expenses	1,890	898
Audit fees	1,557	1,448
Other services	2,955	2,201
Directors' fees	1	14
Other	2,800	1,885
Total office costs, business travel and services	**84,709**	**50,180**

26 Other Operating Expenses, net

In thousands of US dollars	Note	2008	2007
Non-recoverable VAT and taxes other than on income		9,359	5,240
Bank and other commissions		4,455	7,805
Impairment of trade and other receivables	13	4,377	1,593
Charitable donations		2,608	703
Entertainment		2,350	2,668
Disposal of property, plant and equipment, net		(1,330)	205
Other operating expenses		6,147	6,230
Total other operating expenses, net		**27,966**	**24,444**

27 Finance Costs

In thousands of US dollars	Note	2008	2007
Interest expense on trade finance		23,678	18,547
Other interest expense		48,190	36,445
Capitalised borrowing costs on assets under construction at rate 6.5% (2007: 7.7%)	8	(2,104)	(1,348)
Total finance costs		**69,764**	**53,644**

The amount of other interest expense for 2008 includes interest payable to related party of US$ 1,492 thousand (2007: US$ 16 thousand), see Note 7.

28 Income Taxes

In thousands of US dollars	2008	2007
Current income tax expense of Group companies in Russia	76,433	60,778
Current income tax expense of Group companies at other jurisdictions	931	776
Refunds in respect of prior years	(5,916)	-
Deferred tax benefit	(32,377)	(7,217)
Reduction in tax rate to 20% with effect from 1 January 2009	5,534	-
Total income tax expense before tax on imputed income and dividends	**44,605**	**54,337**
Unified tax on imputed income (ENVD)	554	512
Withholding tax accrued on dividends in income statement	4,993	8,687
Total income tax expense for the period	**50,152**	**63,536**

28 Income Taxes (Continued)

A reconciliation between the theoretical and the actual income tax expense is provided below:

In thousands of US dollars	2008	2007
Profit before income tax of Group companies in Russia	**128,788**	**215,093**
Profit of Group companies at other jurisdictions	**4,689**	**-**
Profit before income tax	**133,477**	**215,093**
Theoretical income tax expense at Russian statutory rate of 24%	30,909	51,622
Theoretical tax charge at other jurisdictions' statutory rate of 10%	469	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income earned subject to ENVD	(5,045)	(259)
Refunds in respect of prior years	(5,916)	-
Reduction in tax rate to 20% with effect from 1 January 2009	5,534	-
Change in additional income tax provisions	(1,747)	(10,470)
Other non-taxable income	(801)	(6,262)
Non-deductible expenses	21,202	19,706
Total income tax expense before tax on imputed income and dividends	**44,605**	**54,337**

The change in additional income tax provisions results from the expiry of inspection periods and the closure of uncertain tax positions due to settlements with certain counterparties.

Non-taxable income mainly include dividends received by one of the subsidiaries of the Group.

Non-deductible expenses mainly include benefits to employees in excess of those specified in legislation and certain repairs to vehicles.

In thousands of US dollars	2008	2007
Net deferred tax liability at 1 January	(466)	(1,810)
Income statement benefit – continuing operations	32,376	8,466
Income statement (expense) / benefit – discontinued operations	-	(1,164)
Deferred tax liability arising from business combinations	(6,453)	-
Charged directly to equity relating to revaluation reserve– continuing operations	(5,043)	(5,567)
Reduction in tax rate to 20% with effect from 1 January 2009 in income statement	(5,535)	-
Reduction in tax rate to 20% with effect from 1 January 2009 in equity	2,918	-
Currency translation differences	(5,538)	(391)
Total net deferred tax asset / (liability) at 31 December	**12,259**	**(466)**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% or 10%, as applicable (2007: 24% or 10%).

In thousands of US dollars	1 January 2008	Currency translation differences	(Charged) / credited to income statement	Arising on business combination	Impact of change in tax rate in income statement	31 December 2008
Tax effect of deductible temporary differences						
Intangible assets	6,525	(1,074)	(4,501)	-	(158)	792
Interest payable	-	-	2,267	-	(378)	1,889
Losses carried forward	11,418	(6,763)	26,947	-	(5,404)	26,198
Employee benefits	3,704	(1,104)	(2,979)	-	63	(316)
Inventories	1,219	(736)	3,560	-	(674)	3,369
Accounts receivable	129	(90)	447	(122)	(61)	303
Other	746	(123)	(490)	-	(22)	111
Total recognised deferred tax asset	**23,741**	**(9,890)**	**25,251**	**(122)**	**(6,634)**	**32,346**

28 Income Taxes (Continued)

In thousands of US dollars	1 January 2008	Currency translation differences	(Charged) / credited to income statement	(Charged) / credited to directly to equity	Arising on business combination	Impact of change in tax rate in equity	Impact of change in tax rate in income statement	31 December 2008
Tax effect of taxable temporary differences								
Property, plant and equipment	(5,266)	1,216	5,577	-	(3,886)	-	393	(1,966)
Revaluation reserve	(14,920)	2,455	-	(5,043)	-	2,918	-	(14,590)
Intangible assets	-	-	-	-	(1,590)	-	265	(1,325)
Retained earnings of subsidiaries	(2,006)	330	1,676	-	-	-	-	-
Other	(2,015)	351	(128)	-	(855)	-	441	(2,206)
Total recognised deferred tax liability	**(24,207)**	**4,352**	**7,125**	**(5,043)**	**(6,331)**	**2,918**	**1,099**	**(20,087)**

In thousands of US dollars	1 January 2007	Currency translation differences	(Charged) / credited to income statement*	(Charged) / credited to income statement**	31 December 2007
Tax effect of deductible temporary differences					
Intangible assets	944	291	5,290	-	6,525
Losses carried forward	1,378	101	9,939	-	11,418
Employee benefits	5,358	391	(2,045)	-	3,704
Inventories	1,303	(80)	(4)	-	1,219
Accounts receivable	847	9	(727)	-	129
Warranty provision	1,295	95	-	(1,390)	-
Other	1,311	(250)	(384)	69	746
Total recognised deferred tax asset	**12,436**	**557**	**12,069**	**(1,321)**	**23,741**

In thousands of US dollars	1 January 2007	Currency translation differences	(Charged) / credited to income statement*	(Charged) / credited to income statement**	(Charged) / credited directly to equity*	31 December 2007
Tax effect of taxable temporary differences						
Property, plant and equipment	(3,033)	(129)	(2,097)	(7)	-	(5,266)
Revaluation reserve	(8,944)	(653)	-	244	(5,567)	(14,920)
Retained earnings of subsidiaries	-	-	(2,006)	-	-	(2,006)
Other	(2,269)	(166)	500	(80)	-	(2,015)
Total recognised deferred tax liability	**(14,246)**	**(948)**	**(3,603)**	**157**	**(5,567)**	**(24,207)**

* In continuing operations.
** In discontinued operation.

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group has not recorded a deferred tax liability in respect of taxable temporary differences of US$ 412,248 thousand (2007: US$ 344,973 thousand) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

28 Income Taxes (Continued)

An income tax rate of 20% has been enacted for Russian companies in November 2008 which becomes effective starting from 1 January 2009. As this tax rate was enacted by 31 December 2008, the effect of the change on closing deferred tax liabilities (assets) amounted to US$ 5,535 thousand has been charged to the consolidated income statement; and the effect of the change on closing deferred tax liabilities amounted to US$ 2,918 thousand has been credited to the consolidated statement of changes in equity.

29 Business Combinations

EliteTrans. On 1 April 2008, the Group acquired 90% of the share capital of Leadstream Limited, owning 100% of participatory interests in EliteTrans which is involved in transportation, customs clearance, warehousing and technical servicing of vehicles in St. Petersburg, Russia. The Group has an option to acquire the remaining 10% in 2010.The purchase consideration paid amounted to US$ 20,705 thousand. The acquired business contributed US$ 5,763 thousand to the Group's revenues and resulted in additional savings for the Group of US$ 3,000 thousand. If the acquisition had occurred on 1 January 2008, Group revenue for 2008 would have been US$ 4,609,081 thousand, and net profit for 2008 would have been US$ 84,269 thousand. Details of the assets and liabilities acquired and goodwill arising is as follows:

In thousands of US dollars	Note	IFRS carrying amount immediately before business combination	Attributed fair value, 100% share	Attributed fair value, 90% share
Cash and cash equivalents		23	23	21
Property, plant and equipment	8	4,673	14,765	13,289
Intangible assets	10	18	18	16
Inventories		5	5	4
Investments		25	25	22
Accounts payable		(1,007)	(1,007)	(907)
Accounts receivable		1,039	1,039	935
Borrowings		(3,115)	(3,115)	(2,803)
Current income and other taxes payable		(281)	(1,643)	(1,479)
Provisions for liabilities and charges	19	-	(1,907)	(1,716)
Deferred tax liabilities	28	-	(3,270)	(2,942)
Fair value of net assets of subsidiary		**1,380**	**4,933**	**4,440**
Fair value of acquired interest in net assets of subsidiary				**4,440**
Goodwill arising from the acquisition	9			16,265
Total purchase consideration				**20,705**
Less: cash and cash equivalents of subsidiary acquired				(23)
Less: advance payment made at 31 December 2007				(5,000)
Outflow of cash and cash equivalents on acquisition				**15,682**

The goodwill, included in the non-retail segment, is attributable to acquirer's strong position and profitability and the significant synergies expected to arise after its acquisition by the Group.

29 Business Combinations (Continued)

Avtoprime. On 1 September 2008, the Group acquired 100% of the share capital of Avtoprime, Bereg and Prime Avto. The acquired subsidiaries operate in the retail and maintenance of vehicles through three dealer centres in St. Petersburg, Russia and have non-exclusive purchasing arrangements with Renault and Land Rover. They contributed revenue of US$ 26,387 thousand and net profit of US$ 676 thousand to the Group for the period from the date of acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenue for 2008 would have been US$ 4,685,711 thousand, and profit for 2008 would have been US$ 85,829 thousand. Details of the assets and liabilities acquired and goodwill arising is as follows:

In thousands of US dollars	Note	IFRS carrying amount immediately before business combination	Attributed fair value
Cash and cash equivalents		945	945
Property, plant and equipment	8	8,386	15,495
Intangible assets	10	21	6,648
Inventories		15,973	15,974
Trade and other receivables		3,074	3,583
Borrowings		(7,840)	(7,840)
Trade and other payables		(15,002)	(14,262)
Deferred tax liabilities	28	(54)	(3,183)
Current income and other taxes payable		-	(1,953)
Provisions for liabilities and charges	19	-	(1,185)
Fair value of net assets of subsidiary		**5,503**	**14,222**
Fair value of acquired interest in net assets of subsidiary			**14,222**
Goodwill arising from the acquisition	9		11,255
Total purchase consideration			**25,477**
Less: cash and cash equivalents of subsidiary acquired			(945)
Less: advance payment made at 31 December 2007			(6,000)
Outflow of cash and cash equivalents on acquisition			**18,532**

The goodwill, included in the retail segment, is attributable to acquirer's strong position and profitability.

30 Discontinued Operations

Carnet-2000, which was part of the non-retail segment, was presented as a discontinued operation in the prior year, following the approval for its liquidation by the Group's management and shareholders. Carnet-2000 ceased its operations in July 2007. The liquidation procedures are expected to be completed in the foreseeable future. An analysis of the result of discontinued operations is as follows:

In thousands of US dollars	2008	2007
Revenue	-	362,034
Interest income	-	2,202
Depreciation, amortisation and impairment	-	(366)
Other income and expenses, net	-	(350,376)
Profit before tax of discontinued operations	-	**13,494**
Income tax income (expense)	-	(5,005)
Profit for the year from discontinued operations	**-**	**8,489**

An analysis of the cash flows of discontinued operations is as follows:

In thousands of US dollars	Note	2008	2007
Operating cash flows		2,903	76,691
Investing cash flows		(9,610)	30,862
Financing cash flows		(25,029)	(111,162)
Effect of exchange rate changes on cash and cash equivalents		(460)	3,808
Net increase in cash and cash equivalents		**(32,196)**	**199**
Cash and cash equivalents at the beginning of the year		**32,500**	**32,301**
Cash and cash equivalents at the end of the year	**14**	**304**	**32,500**

31 Contingencies, Commitments and Operating Risks

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 could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

Tax contingencies. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past, including those relating to transfer pricing, may be challenged, and overseas companies within a Group may be alleged to have created a permanent establishment in Russia which, if successfully proven in court, would render the activities of those overseas companies subject to taxation in Russia. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

Management estimates that as at 31 December 2008 the Group has possible obligations from exposure to other than remote tax risks in the amount US$ 20,384 thousand (2007: US$ 31,542 thousand). These exposures primarily relate to profits tax, VAT, and associated interest and penalties. Included in the above is the amount of possible obligations for uncertain tax positions of US$ 10,881 thousand (2007: US$ 16,680 thousand) for which inspection rights of tax authorities have expired, but which may be challenged by regulatory bodies under certain circumstances. In management's estimate no losses are anticipated from these contingent liabilities.

Contractual commitments. At 31 December 2008 the Group had contractual capital commitments in respect of purchase or construction of property, plant and equipment totalling US$ 42,782 thousand (2007: US$ 29,272 thousand). The properties on which the Group's buildings are situated are in Moscow and St. Petersburg on land leased from the respective city authorities under operating leases. Currently, private ownership of land is not common in those cities and in fact most land is held on a long-term leasehold basis (typically a 49 year lease with an option for a 49 year extension). The leases have varying terms and renewal rights, and an annual rent is payable to the city authorities based on indexation.

The Group has future aggregate minimum lease payment commitments under these non-cancellable operating leases, based on the latest available annual rents, as follows:

In thousands of US dollars	**31 December 2008**	**31 December 2007**
Not later than one year	15,081	1,495
Later than one year and not later than five years	3,696	3,166
Later than five years	29,035	28,161
Total non-cancellable operating leases	**47,812**	**32,822**

Vehicles in transit. As at 31 December 2008, the Group has outstanding orders for vehicles produced by the Mitsubishi Motors Corporation in the amount of US$ 475,400 thousand.

Financial guarantees. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group had outstanding issued guarantees for obligations of a related party in the amount of US$ 87,139 thousand (31 December 2007: US$ 20,019 thousand). The maximum exposure to credit risk arisen from guarantees issued is limited to the amounts guaranteed. The Group does not expect cash outflow due to the guarantees provided.

In January 2009, the related party repaid US$ 47,200 thousand of these outstanding borrowings.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group is in compliance with the covenants as at 31 December 2008.

32 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Financial assets which potentially subject Group companies to credit risk consist principally of trade receivables. The Group sells to retail customers on the basis of cash or bank transfer paid in advance. For wholesale dealers, ownership registration documents for vehicles are provided to them after a bank transfer has been received for the full price with the exception of test drive vehicles, which are sold on credit terms of up to 120 days for 80% of their price. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount of credit risk. The Group has no significant concentrations of credit risk except for prepayments for vehicles made to MC Automobile (Europe) N.V. totalling as at 31 December 2008 to US$ 46,774 thousand (2007: US$ 7,400 thousand). The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide information about credit risk as disclosed in Note 13. 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 bank deposits are held only with 4 banks (2007: 2 banks), thus exposing the Group to a concentration of credit risk. The largest amount in a single bank at the year ended 31 December 2008: US$ 86,515 thousand (2007: US$ 116,507 thousand).

Cash is placed in financial institutions which are considered at the time of deposit to have minimal risk of default.

Foreign exchange risk. The Group imports vehicles into the Russian Federation. The Group's activities are financed by borrowings denominated mainly in US dollars. Therefore the Group is exposed to foreign exchange risk. Foreign currency denominated assets (Notes 13 and 14) and liabilities (Notes 17 and 21) give rise to foreign exchange exposure.

In respect of foreign exchange risk, management sets limits on the level of exposure by currency and in total. The positions are monitored regularly. The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date:

	At 31 December 2008				**At 31 December 2007**			
In thousands of US dollars	**Monetary financial assets**	**Monetary financial liabilities**	**Deriva-tives**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Deriva-tives**	**Net balance sheet position**
Russian roubles	130,206	(86,064)	-	44,142	231,357	(96,873)	-	134,484
US dollars	157,543	(844,744)	(8,457)	(695,658)	58,456	(626,327)	(4,797)	(572,668)
Euro	23,416	(5,947)	-	17,469	4,574	(13,037)	-	(8,463)
Total	**311,165**	**(936,755)**	**(8,457)**	**(634,047)**	**294,387**	**(736,237)**	**(4,797)**	**(446,647)**

At 31 December 2008 the principal rates of exchange used for translating foreign currency balances were US$ 1 = RR 29.3804 and Euro 1 = RR 41.4411 (2007: US$ 1 = RR 24.5462 and Euro 1 = RR 35.9332).

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the Group's functional currency, with all other variables held constant:

In thousands of US dollars	**2008**	**2007**
Impact on profit or loss and equity to:		
US dollar strengthening by 30%, profit for the year lower by	163,009	153,117
US dollar weakening by 30%, profit for the year higher by	302,732	284,360

32 Financial Risk Management (Continued)

In case of changes in exchange rates applied at the relative balance sheet date post-tax profit would be higher / lower, mainly as a result of foreign exchange gains on translation of US dollar-denominated borrowings, foreign exchange losses on translation of US dollar-denominated trade receivables and gains on translation from functional currency into presentation currency.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of US dollars	Note	Less than 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2008					
- Cash in banks	14	29,396	-	-	29,396
- Term deposits	14	199,250	-	-	199,250
- Borrowings	17	(157,526)	(155,452)	(496,168)	(809,146)
Net interest sensitivity gap at 31 December 2008		**71,120**	**(155,452)**	**(496,168)**	**(580,500)**
31 December 2007					
- Cash in banks	14	37,651	-	-	37,651
- Term deposits	14	157,914	-	-	157,914
- Borrowings	17	(106,365)	(579)	(428,504)	(535,448)
- Financing for vehicles in transit	17	(64,934)	-	-	(64,934)
Net interest sensitivity gap at 31 December 2007		**24,266**	**(579)**	**(428,504)**	**(404,817)**

Cash flow and fair value interest rate risk. The Group's income and operating cash flows are dependent on changes in market interest rates. The Group is exposed to fair value interest rate risk through market value fluctuations of interest-bearing short-term and long-term borrowings, and the rates are disclosed in Note 17.

Eurobonds outstanding as at 31 December 2008 of US$ 247,605 thousand (2007: US$ 244,547 thousand) and term loans of US$ 90,218 thousand (2007: US$ 50,543 thousand) have fixed interest rate and are free from any interest rate risk, but are subject to fair value interest rate risk.

Term loans of US$ 469,857 (2007: US$ 238,636) thousand have variable interest rates and are dependent on movements in US$ LIBOR rates.

To offset changes in the cash flows under its credit facilities denominated in foreign currency obligations dependent on movements in US$ LIBOR rates, the Group applies hedge accounting and has entered into a hedging arrangement. The Group manages its interest rate risk in respect of US$ 150,000 thousand of these term loans through a contract that fixes US dollar LIBOR rate to 5.03% for the period from 28 June 2007 to 28 June 2010. If the actual LIBOR rate differs from this rate, the Group respectively pays or receives the difference in cost on quarterly settlement basis.

For the year ended 31 December 2008, if interest rates on variable interest rate term loans had been 100 basis points lower / higher with all other variables held constant, post-tax profit for the period would have been US$ 2,450 thousand (2007: US$ 451 thousand) higher / lower.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by Treasury department of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

32 Financial Risk Management (Continued)

In thousands of US dollars	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2008				
Borrowings		312,978	416,704	102,941
Trade and other payables	21	104,365	-	-
Total cash flows		**417,343**	**416,704**	**102,941**
At 31 December 2007				
Borrowings		106,944	68,169	414,695
Trade and other payables	21	113,520	-	-
Financing for vehicles in transit	17	64,934	-	-
Total cash flows		**285,398**	**68,169**	**414,695**

Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the consolidated balance sheet amount is based on discounted cash flows.

Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and non-current financial liabilities, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2008 and 2007 were as follows:

In thousands of US dollars	Note	31 December 2008	31 December 2007
Total borrowings	17	809,146	535,448
Less: cash and cash equivalents	14	(229,793)	(196,372)
Net debt		579,353	339,076
Total equity		394,214	452,811
Total capital		**973,567**	**791,887**
Gearing ratio		**59.5%**	**42.8%**

Fair values. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

Financial instruments carried at fair value. Available-for-sale investments are carried on the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Liabilities carried at amortised cost. The fair value of Eurobonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of borrowings, trade and other payables approximate their fair values, except as disclosed in Note 17.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value was determined based on appropriate valuation methodologies.

33 Reconciliation of Classes of Financial Instruments with Measurement Categories

Expected cash flows are discounted at current market rates available to the Group for similar financial instruments. The fair value of the financial assets did not materially differ from their carrying amount at 31 December 2008 and 2007. At 31 December 2008 and 2007, the fair value of financial liabilities, which is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments with the same remaining maturity, did not materially differ from their carrying amounts, except as disclosed in Note 17.

For the purposes of measurement, the Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets. The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2008:

In thousands of US dollars	**Loans and receivables**	**Available-for-sale assets**	**Total**
ASSETS			
Cash and cash equivalents (Note 14)			
- Cash on hand and bank balances payable on demand	30,543	-	30,543
- Term deposits	199,250	-	199,250
Trade and other receivables (Note 13)			
- Trade and other receivables	69,043	-	69,043
Other financial assets (Note 11)			
- Long-term loans in related parties	922	-	922
- Investments in related parties	-	81	81
- Other investments	-	1,489	1,489
- Interest bearing loans to beneficiaries of the Group's ultimate controlling party, repayable within 12 months of the balance sheet date	5,463	-	5,463
- Loans to entities under common control	4,373	-	4,373
TOTAL FINANCIAL ASSETS	**309,594**	**1,570**	**311,164**
NON-FINANCIAL ASSETS	-	-	**1,094,836**
TOTAL ASSETS	-	-	**1,406,000**

As at 31 December 2008, all of the Group's financial liabilities are carried at amortised cost except for derivatives which are carried at fair value.

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2007:

In thousands of US dollars	**Loans and receivables**	**Available-for-sale assets**	**Total**
ASSETS			
Cash and cash equivalents (Note 14)			
- Cash on hand and bank balances payable on demand	38,458	-	38,458
- Term deposits	157,914	-	157,914
Trade and other receivables (Note 13)			
- Trade and other receivables	77,760	-	77,760
Other financial assets (Note 11)			
- Long-term loans to related parties	1,315	-	1,315
- Other investments	-	1,068	1,068
- Interest bearing loans to beneficiaries of the Group's ultimate controlling party, repayable within 12 months of the balance sheet date of the balance sheet date	10,892	-	10,892
- Loan to director	1,087	-	1,087
- Loans to entities under common control	896	-	896
- Other loans	76	-	76
TOTAL FINANCIAL ASSETS	**288,398**	**1,068**	**289,466**
NON-FINANCIAL ASSETS	-	-	**970,380**
TOTAL ASSETS	-	-	**1,259,846**

As at 31 December 2007, all of the Group's financial liabilities were carried at amortised cost except for derivatives which are carried at fair value.

34 Events after the Balance Sheet Date

Repayment of the loans. In January 2009, the Group repaid a term loan in amount of US$ 40,000 thousand. In April 2009, the Group repaid loans in the amount of US$ 20,000 thousand.

***Loans extension*.** In June 2009, the Group signed amendments to the existing facility agreements maturing in June 2009. In accordance with these amendments, the credit facilities amounting to US$145,000 thousand are to be repaid in September 2009.

New exclusive distribution agreement. On 9 March 2009, Rolf Import and Mitsubishi Motors Corporation signed a new distribution agreement for the next five years. This new agreement re-affirmed the position of Rolf Import as the exclusive distributor of all new Mitsubishi Motors vehicles and spare parts in Russia until 2014.

Retailing of Peugeot vehicles. The Group plans to discontinue retailing of Peugeot vehicles in the second half of 2009.

See Auditors' Report on pages 4-5.