X5 Retail Group N.V.

International Financial Reporting Standards Consolidated Interim Financial Statements and Independent Auditor's Report

30 June 2007

Contents

DIRECTORS' RESPONSIBILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

Consolidated Interim Balance Sheet 2
Consolidated Interim Income Statement 3
Consolidated Interim Statement of Cash Flows 4
Consolidated Interim Statement of Changes in Equity 5

Notes to the Consolidated Interim Financial Statements

1 PRINCIPLE ACTIVITIES AND THE GROUP STRUCTURE 6
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 6
3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES 16
4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS 17
5 NEW ACCOUNTING PRONOUNCEMENTS 18
6 SEGMENT REPORTING 19
7 SUBSIDIARIES 21
8 ACQUISITION OF SUBSIDIARIES 21
9 RELATED PARTY TRANSACTIONS 25
10 CASH 27
11 PROPERTY, PLANT AND EQUIPMENT 28
12 INVESTMENT PROPERTY 29
13 GOODWILL 30
14 INTANGIBLE ASSETS 31
15 INVESTMENT IN ASSOCIATE 32
16 INVENTORIES OF GOODS FOR RESALE 32
17 TRADE AND OTHER ACCOUNTS RECEIVABLE 33
18 VAT AND OTHER TAXES RECOVERABLE 34
19 FINANCIAL ASSETS AND LIABILITIES 34
20 OTHER LIABILITIES 35
21 BORROWINGS 36
22 OBLIGATIONS UNDER FINANCE LEASES 37
23 SHARE CAPITAL 38
24 EARNINGS PER SHARE 38
25 REVENUE 38
26 EXPENSES BY NATURE 38
27 OPERATING LEASE INCOME 39
28 FINANCE INCOME AND COSTS 39
29 STAFF COSTS 39
30 SHARE-BASED PAYMENTS 39
31 INCOME TAX 40
32 SEASONALITY 42
33 FINANCIAL RISKS MANAGEMENT 43
34 CAPITAL RISK MANAGEMENT 44
35 COMMITMENTS AND CONTINGENCIES 45
36 SUBSEQUENT EVENTS 46

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated interim financial statements of X5 Retail Group N.V. and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated interim financial statements that present fairly the financial position of the Group at 30 June 2007, and the results of its operations, cash flows and changes in shareholders' equity for the twelve month period then ended, in compliance with International Financial Reporting Standards as adopted by the European Union.

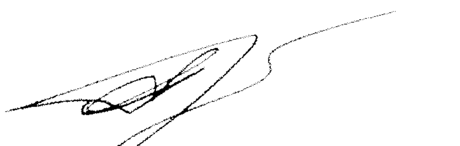
In preparing the consolidated interim financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board have been followed, subject to any material departures disclosed and explained in the consolidated interim financial statements; and
- Preparing the consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

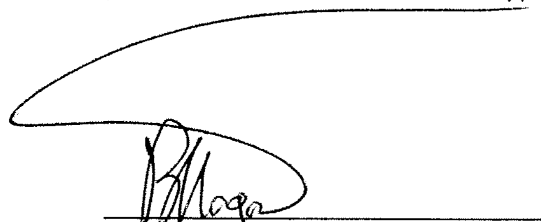
Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated interim financial statements of the Group comply with IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated interim financial statements for the six month period ended 30 June 2007 were approved on 21 September 2007 by:



Lev Khasis
Chief Executive Officer



Vitaliy Podolskiy
Chief Financial Officer

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya nab. 52/5
115054 Moscow
Russian Federation
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001

INDEPENDENT AUDITOR'S REPORT

To the Management Board of X5 Retail Group N.V.:

We have audited the accompanying consolidated interim financial statements of X5 Retail Group N.V. and its subsidiaries (the "Group") which comprise the consolidated interim balance sheet as at 30 June 2007 and the consolidated interim income statement, consolidated interim statement of changes in equity and consolidated interim statement of cashflows for the six months then ended, and a summary of significant accounting policies and other explanatory Notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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.

Auditor's Responsibility

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

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

Opinion

In our opinion, the accompanying consolidated interim financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2007, and its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS34).

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
21 September 2007

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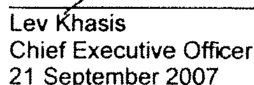
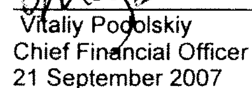
X5 Retail Group N.V.
Consolidated Interim Balance Sheet at 30 June 2007
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,415,462	1,271,930
Investment property	12	48,232	40,020
Goodwill	13	2,681,484	2,622,949
Intangible assets	14	481,926	492,259
Prepaid leases		15,762	9,440
Investment in associate	15	5,250	-
Loan originated to related parties	9	154	5,250
Other non-current assets		2,050	-
Deferred tax assets	31	16,184	18,626
		4,666,504	4,460,474
Current assets			
Inventories of goods for resale	16	210,508	208,576
Available for sale financial assets	19	5,939	623
Derivative financial assets	19	4,194	-
Loans originated	19	20,000	10,985
Trade and other accounts receivable	17	131,452	148,225
Current income tax receivable		2,232	6,161
VAT and other taxes recoverable	18	119,982	89,434
Cash	10	334,668	167,988
		828,975	631,992
Total assets		**5,495,479**	**5,092,466**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	23	70,936	70,936
Share premium		2,901,350	2,901,350
Cumulative translation reserve		133,956	79,459
Accumulated deficit		(120,658)	(161,708)
Minority interests		220	-
Total equity		**2,985,804**	**2,890,037**
Non-current liabilities			
Long-term borrowings	21	1,859	949,123
Long-term finance lease payable	22	2,024	2,913
Deferred tax liabilities	31	184,206	177,604
Long-term deferred revenue		1,513	4,117
Share-based payments liability	30	21,700	-
Other non-current liabilities		-	159
		211,302	1,133,916
Current liabilities			
Trade accounts payable		546,525	552,060
Short-term borrowings	21	1,468,385	218,013
Share-based payments liability	30	6,163	69,990
Derivative financial liabilities	19	77,362	-
Short-term finance lease payables	22	2,373	2,271
Interest accrued		5,456	13,544
Short-term deferred revenue		2,900	414
Current income tax payable		16,787	11,511
Other liabilities	20	172,422	200,710
		2,298,373	1,068,513
Total liabilities		**2,509,675**	**2,202,429**
Total equity and liabilities		**5,495,479**	**5,092,466**



Lev Khasis
Chief Executive Officer
21 September 2007

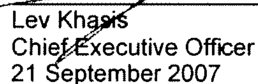


Vitaliy Podolskiy
Chief Financial Officer
21 September 2007

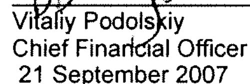
The accompanying Notes on pages 6 to 46 are an integral part of these consolidated interim financial statements.

X5 Retail Group N.V.
Consolidated Interim Income Statement
for the six months ended 30 June 2007
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2007	30 June 2006
Revenue	25	2,347,601	898,783
Cost of sales		(1,730,836)	(661,423)
Gross profit		**616,765**	**237,360**
Selling, general and administrative expenses		(511,298)	(202,197)
Lease/sublease and other income	27	31,336	14,509
Operating profit		**136,803**	**49,672**
Finance costs	28	(63,095)	(16,025)
Finance income	28	9,074	192
Net foreign exchange gain / (loss)		9,947	(452)
Profit before tax		**92,729**	**33,387**
Income tax expense	31	(51,679)	(14,115)
Profit for the period		**41,050**	**19,272**
Attributable to:			
Equity holders of the parent		41,050	19,272
Minority interest		-	-
Profit for the period		**41,050**	**19,272**
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)	24	0.77	0.77
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)	24	0.77	0.76



Lev Khasis
Chief Executive Officer
21 September 2007



Vitaliy Podolskiy
Chief Financial Officer
21 September 2007

X5 Retail Group N.V.
Consolidated Interim Statement of Cash Flows
for the six months ended 30 June 2007
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2007	30 June 2006
Profit before tax		**92,729**	**33,387**
Adjustments for:			
Depreciation and amortisation	26	75,185	22,146
Gain on disposal of property, plant and equipment		(2,154)	(2,016)
Loss on disposal of intangible assets		-	38
Finance costs, net	28	54,021	15,833
Impairment of trade and other accounts receivable	26	70	3,396
(Gain)/ loss on disposal of subsidiaries		-	110
Share-based payments expense	30	21,700	3,853
Amortisation of deferred expenses		1,405	565
Net foreign exchange (gain) / loss		(9,947)	2,772
Net cash from operating activities before changes in working capital		**233,009**	**80,084**
Decrease / (increase) in trade and other accounts receivable		2,215	(16,133)
Increase in inventories		6,509	6,288
Decrease in trade accounts payable		(21,210)	(12,771)
(Decrease) / increase in other accounts payable and deferred revenue		(108,498)	11,120
Net cash generated from operations		**112,025**	**68,588**
Interest paid		(51,093)	(13,891)
Interest received		6,350	141
Income tax paid		(52,945)	(15,278)
Net cash from operating activities		**14,337**	**39,560**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(201,501)	(73,936)
Non-current prepaid lease		(2,389)	(6,338)
Acquisition of subsidiaries, net of cash acquired	8	1,688	327,504
Acquisition of other long-term investments		-	(389)
Short-term loans issued		(19,873)	-
Proceeds from sale of property, plant and equipment		14,978	2,102
Acquisition of investments available for sale		(15,111)	(2,807)
Proceeds from sale of investments available for sale		9,232	16
Purchase of intangible assets	16	(735)	(53)
Net cash (used in) / from investing activities		**(213,711)**	**246,099**
Cash flows from financing activities			
Proceeds from short-term loans		678,543	92,629
Repayment of short-term loans		(413,311)	(48,889)
Proceeds from long-term loans		199,869	154,879
Repayment of long-term loans		(101,949)	(165,309)
Distribution to shareholders		-	(300,000)
Principal payments on finance lease obligations		(2,133)	(420)
Net cash from / (used in) financing activities		**361,019**	**(267,110)**
Effect of exchange rate changes on cash		5,035	42
Net increase in cash		**166,680**	**18,591**
Movements in cash			
Cash at the beginning of the period		167,988	30,067
Net increase in cash		166,680	18,591
Cash at the end of the period		**334,668**	**48,658**

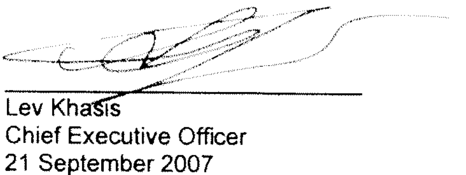
Lev Khasis
Chief Executive Officer
21 September 2007

Vitaliy Podolskiy
Chief Financial Officer
21 September 2007

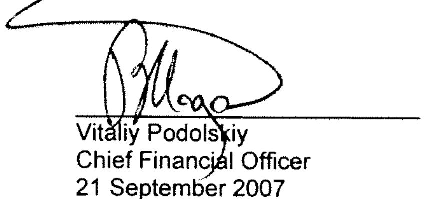
The accompanying Notes on pages 6 to 46 are an integral part of these consolidated interim financial statements.

X5 Retail Group N.V.
Consolidated Interim Statement of Changes In Equity
for the six months ended 30 June 2007
(expressed in thousands of US Dollars, unless otherwise stated)

		Attributable to the shareholders of the Company						Minority interest	Total
	Note	Number of shares	Share capital	Share premium	Cumulative translation reserve	Retained earnings / (Accumulated deficit)	Total shareholders' equity		
Balance as at 1 January 2006		**38,306,785**	**30**	**122,152**	**5,724**	**54,080**	**181,986**	-	**181,986**
Translation movement		-	-	-	9,897	-	9,897	-	9,897
Profit for the period		-	-	-	-	19,272	19,272	-	19,272
Total recognised income for the period		-	-	-	9,897	19,272	29,169	-	29,169
Reverse acquisition		15,813,253	72,109	2,854,529	-	-	2,926,638	-	2,926,638
Distribution to shareholders		-	-	-	-	(300,000)	(300,000)	-	(300,000)
Balance as at 30 June 2006		**54,120,038**	**72,139**	**2,976,681**	**15,621**	**(226,648)**	**2,837,793**	-	**2,837,793**
Translation movement		-	-	-	63,838	-	63,838	-	63,838
Profit for the period		-	-	-	-	64,940	64,940	-	64,940
Total recognised income for the period		-	-	-	63,838	64,940	64,940	-	64,940
Acquisition of treasury shares		(902,278)	(1,203)	(75,331)	-	-	(76,534)	-	(76,534)
Balance as at 31 December 2006		**53,217,760**	**70,936**	**2,901,350**	**79,459**	**(161,708)**	**2,890,037**	-	**2,890,037**
Translation movement		-	-	-	54,497	-	54,497	-	54,497
Profit for the period		-	-	-	-	41,050	41,050	-	41,050
Total recognised income for the period		-	-	-	54,497	41,050	95,547	-	95,547
Acquisition of subsidiaries	8	-	-	-	-	-	-	220	220
Balance as at 30 June 2007		**53,217,760**	**70,936**	**2,901,350**	**133,956**	**(120,658)**	**2,985,584**	**220**	**2,985,804**



Lev Khasis
Chief Executive Officer
21 September 2007



Vitaliy Podolskiy
Chief Financial Officer
21 September 2007

The accompanying Notes on pages 6 to 46 are an integral part of these consolidated interim financial statements.

1 PRINCIPLE ACTIVITIES AND THE GROUP STRUCTURE

These consolidated interim financial statements are for the economic entity comprising X5 Retail Group N.V. (the "Company") and its subsidiaries, as set out in Note 7 (the "Group").

X5 Retail Group N.V. is a joint stock limited liability company established in August 1975 under the laws of the Netherlands. The principal activity of the Company is to act as a holding company for the group of companies that operate retail grocery stores. The Company's address and tax domicile is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

On 18 May 2006, the Company acquired 100% of Perekrestok Holdings Ltd., the parent company for the group of companies that operate stores under the "Perekrestok" brand (Note 8). Although legally X5 Retail Group N.V. is regarded as the parent and Perekrestok Holdings Ltd. is regarded as the subsidiary, Perekrestok Holdings Ltd. is identified as the acquirer under IFRS 3 "Business Combinations" and the acquisition of Perekrestok Holdings Ltd. is accounted for as a reverse acquisition (Note 2.1). Consequently, through the period ended 18 May 2006 Interim consolidated statement of income and consolidated statement of cash flows relate only to the acquirer (Note 8).

The main activity of the Group is the development and operation of grocery retail stores. As of 30 June 2007 and 30 June 2006 the Group operated a retail chain of soft-discount and supermarket stores under the brand names "Pyaterochka" and "Perekrestok" in major population centers in Russia, including but not limited to Moscow, St. Petersburg, Nizhniy Novgorod, Krasnodar, Kazan, Samara, Chelyabinsk, Ekaterinburg and Kiev, Ukraine with the following number of stores:

	30 June 2007	30 June 2006
Under "Pyaterochka" brand name		
Moscow	241	187
St. Petersburg	223	185
Chelyabinsk	45	0
Ekaterinburg	28	19
Nizhniy Novgorod	2	0
	539	391
Under "Perekrestok" brand name		
Moscow	98	78
St. Petersburg	18	14
N.Novgorod region	17	15
Samara region	8	6
South Russia region	7	6
Ukraine	4	4
Other	18	10
	170	133
Total stores	**709**	**524**

In addition, as of 30 June 2007 the Group's franchisees operated 591 stores under the "Pyaterochka" brand name and 10 stores under the "Perekrestok" brand name (30 June 2006: 479 and 10 respectively) in Russia and neighbouring countries, Kazakhstan and Ukraine.

The Group is a member of the Alfa Group Consortium. As of 30 June 2007 the Company's principal shareholders were Luckyworth Limited and Cesaro Holdings Limited owning 32.4% and 22.2% of total issued shares, respectively. The Group owns 902,278 (1.76%) of its shares (Note 23). As of 30 June 2007 the Company's shares are listed on the London Stock Exchange in form of Global Depositary Receipts (GDRs), with each GDR representing an interest of 0.25 in an ordinary share. As of 30 June 2007 the ultimate parent company of the Group is CTF Holdings Ltd. ("CTF"), a company registered at Suite 2, 4 Irish Place, Gibraltar and the parent entity of the Alfa Group Consortium. CTF is under the common control of Mr Fridman, Mr Khan and Mr Kuzmichev (the "Shareholders"). None of the Shareholders individually controls and/or owns 50% or more in CTF.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated interim financial statements for the year ended 30 June 2007 have been prepared in accordance with, and comply with both: (a) International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting and (b) IAS 34, *Interim financial reporting*, as issued by the International Accounting Standards Board ("IASB").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these consolidated interim financial statements have been adopted by the European Union through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39, *Financial Instruments: Recognition and Measurement,* on portfolio hedging. These financial statements comply with IFRS and it is the Group's intention, to the extent possible, to comply with IFRS, and IAS 34, *Interim financial reporting*, as adopted by the European Union and as issued by the IASB since the Group is not affected by the hedging provisions.

These consolidated financial statements are issued under the name of X5 Retail Group N.V. but represent a continuation of the consolidated financial statements of Perekrestok Holdings Ltd. accordingly:

(a) the assets and liabilities of the legal subsidiary, i.e. Perekrestok Holdings Ltd., are recognised and measured at their pre-combination carrying amounts. The assets and liabilities of X5 Retail Group N.V. are recognised at their fair value at the date of acquisition;

(b) the consolidated retained earnings and other equity balances recognised at the date of acquisition are the retained earnings and other equity balances of Perekrestok Holdings Ltd. immediately before the business combination;

(c) the equity structure reflects the equity structure of X5 Retail Group N.V.; and

(d) the comparative information presented in these consolidated financial statements is that of Perekrestok Holdings Ltd.

2.2 Accounting for the effects of inflation

The Russian Federation was considered hyperinflationary prior to 1 January 2003. As a result, balances and transactions were restated for the changes in the general purchasing power of the Russian Rouble up to 31 December 2002 in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased effective from 1 January 2003, the Group does not apply the provisions of IAS 29 to assets acquired or revalued and liabilities incurred or assumed after that date. For other assets and liabilities, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these consolidated interim financial statements.

2.3 Consolidated interim financial statements

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, 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.

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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. However, when a business combination is achieved in stages by successive share purchases, the date of exchange is the date of each exchange transaction; whereas the acquisition date is the date on which acquirer obtains control of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share in net assets of the acquiree at 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 recognized immediately in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized 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.

2.4 Minority interest

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 Company. Minority interest forms a separate component of the Group's equity.

When the Group purchases a minority interest, the difference between its carrying amount and the amount paid to acquire it is recorded as goodwill. Gains or losses on disposal of a minority interest, determined as the difference between its carrying amount and proceeds received or receivable, are recorded in the statement of income.

2.5 Foreign currency translation and transactions

(a) Functional and presentation currency

Functional currency. 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 currencies of the Group's entities are the national currency of the Russian Federation, Russian Rouble ("RR") and the national currency of Ukraine, Ukrainian Hryvnia ("UAH"). The Group's presentation currency is the US Dollar ("USD"), which management believes is the most useful currency to adopt for users of these consolidated interim financial statements.

Translation from functional to presentation currency. The results and financial position of each Group entity (none of which have a functional currency that is the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
(ii) income and expenses for each income statement 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 as a cumulative translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified to profit or loss.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the Central Bank of Russian Federation ("CBRF") 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 period-end official exchange rates of the CBRF are recognized in profit or loss. Translation at period-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 30 June 2007, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RR 25.8162 (31 December 2006: USD 1 = RR 26.3311). Average rate for six months ended 30 June 2007 was USD 1 = RR 26.0827 (6 months 2006: USD 1 = RR 27.6799).

At 30 June 2007, the official rate of exchange, as determined by the Central Bank of Ukraine, was USD 1 = UAH 5.0500 (31 December 2006: USD 1 = UAH 5.0500). Average rate for 12 months 2006 was USD 1 = UAH 5.0500 (6 months 2006: USD 1 = UAH 5.0500).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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 its revenue earned from sales to external customers and whose internal and external revenue or result or assets are ten percent or more of all segments are reported separately.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. The Group does not capitalize borrowing costs but recognises them as an expense in the period in which they are incurred.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced parts are retired. Capitalised costs are depreciated over the remaining useful life of property, plant and equipment or part's estimated useful life whichever is sooner.

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 income statement. An impairment loss recognised for an asset in prior years is reversed if there has been a favourable change in circumstances affecting 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 the proceeds with the carrying amount are recognised in profit or loss.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

Buildings	20-50 years
Machinery and equipment	5-10 years
Refrigerating equipment	7-10 years
Vehicles	5-7 years
Other	3-5 years

Leasehold improvements are capitalised when it is probable that future economic benefits associated with the improvements will flow to the Company and the cost can be measured reliably. The capitalised leasehold improvements are depreciated over their useful lives but not longer than the terms of the leases.

The residual value of an asset is the estimated amount that the Group would currently obtains from the 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.

2.8 Investment property

Investment property consists of buildings held by the Group to earn rental income or for capital appreciation, or both, and which is not occupied by the Group. The Group recognises the part of an owned shopping center that is leased to third party retailers as investment property, unless it represents an insignificant portion of the property and is used primarily to provide auxiliary services to retail customers not provided by the Group rather than to earn rental income. The Group uses the ratio of leased out space to total store space as criteria to distinguish investment property from Group-occupied property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists, that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets

(a) 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 at the date of exchange. Goodwill on the acquisition of subsidiaries is presented as part of intangible assets in the consolidated interim balance sheet.

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.

(b) Lease rights
Lease rights represent rights for favourable operating leases acquired in business combinations or purchased. Lease rights acquired in a business combination are recognised initially at fair value and acquired separately are recognised initially at cost. Lease rights are amortised using the straight-line method over the lease term of the respective lease contracts – ranging from 10 to 20 years (15 on average). Lease prepayments are amortised over the term of the lease.

(c) Brand and private labels
Brand and private labels acquired in a business combination are recognised initially at fair value. Brand and private labels are amortised using the straight-line method over their useful lives:

	Useful lives
Brand	20 years
Private labels	5-8 years

(d) Franchise agreements
Franchise agreements represent rights to receive royalties. Franchise agreements acquired in a business combination are recognised initially at fair value. Franchise agreements are amortised using straight-line method over their useful lives that are, on average, ranging from 5 to 10 years (8 on average).

(e) Other intangible assets
Expenditure on acquired patents, trademarks and licenses is capitalized and amortised using the straight-line method over their useful lives ranging from 3 to 4 years.

(f) Impairment of intangible assets
Where an indication of impairment exists, the recoverable amount of any intangible asset, including goodwill, is assessed and, when impaired, the asset is written down immediately to its recoverable amount. Goodwill and intangible assets not yet available for use are tested for impairment at least annually and whenever impairment indicators exist.

2.10 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Assets leased out by the Group under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised in the income statement on a straight-line basis over the lease term.

The Group leases retail outlets under terms of fixed and variable lease payments. The variable lease payments depend on revenue earned by the respective retail outlets. The Group classifies variable lease payments as contingent rents unless the Group is virtually certain of the expected amount of the future lease payments in which case they are classified as minimum lease payments (Note 35).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 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 leased assets are capitalized 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 income statement over the lease period using the effective interest method. The assets acquired under finance leases as well as leasehold improvements are depreciated over their useful life or the lease term, if shorter and if the Group is not reasonably certain that it will obtain ownership by the end of the lease.

2.12 Trade receivables

Trade receivables are initially recognised at their fair values and are subsequently 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 the receivables. The Group determines that there is objective evidence of impairment by assessing groups of receivables against credit risk factors established based on historical loss experience for each group. Indications that the trade receivable may be impaired include financial difficulties of the debtor, likelihood of the debtor's insolvency, and default or significant failure of payment. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Inventories of goods for resale

Inventories at warehouses and retail outlets are stated at the lower of cost and net realizable value. Cost comprises direct costs of goods, transportation and handling costs. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

The Group provides for estimated inventory losses (shrinkage) between physical inventory counts on the basis of a percentage of cost of sales. The provision is adjusted to actual shrinkage based on regular inventory counts. The provision is recorded as a component of cost of sales.

2.14 Financial assets and liabilities

The Group classifies its financial assets into the following measurement categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, if required under IFRS. The Group designates investments as available-for-sale only when they fall outside the other categories of financial assets.

Initial recognition of financial instruments
Financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. Subsequent to initial recognition, the fair values of financial instruments measured at fair value are bid prices quoted at active markets. 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.

Impairment
The Group reviews the carrying value of its financial assets on a regular basis. If the carrying value of an investment is greater than the recoverable amount, the Group records an impairment loss and reduces the carrying amount of assets by using allowance account. The Group does not reduce the carrying amount of impaired financial assets directly but rather uses allowance account.

Derecognition of financial assets
The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are trading investments, acquired principally for the purpose of selling in the short term, and derivatives.
Derivative financial instruments are recognised initially on a settlement date basis and subsequently remeasured at fair value. The Group generally acquires derivative financial instruments quoted at active markets and therefore subsequent remeasurement is based on active market quotations rather than valuation techniques. Gains and losses resulting from the fair value remeasurement are recognised in the consolidated income statement as fair value gains (losses) on financial instruments. Derivative financial instruments include foreign exchange contracts, forward rate agreements, interest rate swaps and currency options are carried as trading assets or liabilities at fair value through profit or loss. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group does not apply hedge accounting.

Loans and receivables

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. Loans receivable and other receivables are carried at amortised cost using the effective interest rate method. Receivables are written off only in case of debtor's insolvency.

Available for sale

Available for sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss 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 profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the current period's profit or loss.

Financial liabilities are classified according to the substance of the contractual arrangements entered in to. The Group classifies its financial liabilities into the following measurement categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

2.15 Cash

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.17 Value added tax

Value added tax related to sales is payable to tax authorities on the earliest of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT on construction in progress can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project can not be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (VAT deferred) is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. The Group's entities contribute to the Russian Federation's state pension and social insurance funds in respect of its employees. These contributions are accrued when incurred. The Group's commitment ends with the payment of these contributions.

2.19 Share-based payments

The Group issues options to certain employees that give the employees the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments.

Share-based payment transactions, or the components of such transactions, are accounted for as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

Share-based payments transactions are measured at the fair value of the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to the cash or equity instruments were granted. The fair value is determined using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

A liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date. The Group records an expense, based on its estimates of the difference between the market price and the strike price related to the shares expected to vest, on a straight-line basis over the vesting period.

At the date of settlement, the Group will remeasure the liability to its fair value. If the Group issues equity instruments on settlement rather than paying cash, the liability will be transferred directly to equity, as the consideration for the equity instruments issued.

2.20 Borrowings

Borrowings are initially recognised at their fair value, net of transaction costs, and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21 Trade and other payables

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

2.22 Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

2.23 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 financial statements are authorised for issue.

2.24 Treasury shares

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.25 Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting period. Diluted earnings per share are calculated by adjusting the earnings and the number of shares for the effects of dilutive options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of calculating the weighted average number of ordinary shares outstanding during the period in which the reverse acquisition occurs:

- the number of ordinary shares outstanding from the beginning of that period to the acquisition date is the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary

- number of ordinary shares outstanding from the acquisition date to the end of that period is the actual number of ordinary shares of the legal parent outstanding during that period.

2.26 Taxes

Current income tax liabilities (assets) are measured in accordance with IAS 12, *Income Taxes*, based on legislation that is enacted or substantively enacted at the balance sheet date, taking into consideration applicable tax rates and tax exemptions.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In accordance with the initial recognition exemption, deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period in which the asset is realised or the liability is settled, based on tax rates which are enacted or substantially enacted at the balance sheet date.

Taxes other than on income, interest and penalties are measured in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent*. The Group provides against tax contingencies and the related interest and penalties where management can make a reliable estimate of the amount of the additional taxes that may be due. 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 considered as a contingent liability until the accounting documentation maintenance period expires, being an additional 2 years (i.e. 5 years in total).

Liabilities for such taxes, interest and penalties are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date (Notes 31and 35).

2.27 Income and expense recognition

Income and expenses are recognised on an accrual basis as earned or incurred. Recognition of the principal types of income and expenses is as follows:

(a) Revenue

Revenue from the sale of goods through retail outlets is recognised at the point of sale. Revenue from franchisee fees is recognised based on contractual agreements over the term of the contracts. The up-front non-refundable franchisee fees received by the Group are deferred and recognised over the standard contractual term of 10 years. Revenue from advertising services is recognised based on contractual agreements. Revenues are measured at the fair value of the consideration received or receivable. Revenues are recognised net of value added tax.

The group launched a loyalty card scheme in 2007. Discounts earned by customers through loyalty cards, are recorded by the Group by allocating some of the consideration received from the initial sales transaction to the award credits and deferring the recognition of revenue. The allocation is made by the reference to the relative fair values of the components adjusted for expected forfeitures.

(b) Cost of sales

Cost of sales include the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale, i.e. retail outlets. These costs include costs of purchasing, storing, rent, salaries and transporting the products to the extent it relates to bringing the inventories to the location and condition ready for sale.

The Group receives various types of allowances from suppliers in the form of slotting fees, volume discounts, and other forms of payment. In accounting for supplier bonuses received by the Group, the Group determined that these bonuses are a reduction in prices paid for the product and are reported as part of the cost of sales.

Bonuses received from suppliers are recorded as a reduction in the price paid for the products and are recognised in cost of sales as the related inventory is sold. Bonuses receivable from suppliers in cash are presented as trade receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Interest income and expense

Interest income and expense are recognised on an effective yield basis.

(d) Selling, general and administrative expenses

Selling expenses consist of salaries and wages of stores employees, store expenses, rent or depreciation of stores, utilities, advertising costs and other selling expenses. General and administrative expenses include costs of salaries and wages of support office employees, rent and depreciation of support offices, impairment and amortisation charges of non-current charges and other general and administrative expenses. Selling, general and administrative expenses are recognised on an accrual basis as incurred. The Group recognised start-up costs of stores as an expense in the period in which they are incurred.

2.28 Impairment of non-current assets other than goodwill

The Group periodically assesses whether there is any indication that non-current assets may be impaired. If any such indicators exist, the Group estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. Impairment loss is recognised whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.29 Reclassifications

Where necessary, corresponding figures have been adjusted to conform to changes in the presentation of the current year. The effect of reclassifications is as follows:

- The Group has disclosed Investment property (Note 12) separately from property, plant and equipment. In the year ended 31 December 2007 investment property in the amount of USD 40,020 was reclassified from property, plant and equipment to the separate line in the balance sheet.
- The Group changed presentation of expenses reclassifying costs incurred in bringing the inventories to the location and condition ready for sale (Note 26). In the six months ended 30 June 2006 expenses of USD 9,397 were reclassified from selling, general and administrative expenses to cost of sales.

Management of the Group believes that these reclassifications provide more relevant and meaningful information about the financial position of the Group.

2.30 Fair value of assets and liabilities at the acquisition date

On 18 May 2006, the Group acquired Pyaterochka Holding N.V. As no valuation was performed prior to acquisition fair values of assets and liabilities as at the date of acquisition were determined on a provisional basis. The provisional and final fair values assigned to the acquired net assets reported were as follows.

As a result of valuation the final value of net identifiable net assets as at the date of acquisition increased. After the completion of the purchase price allocation the aggregate fair value of the acquired net assets changed by USD 379,947 and amounted to USD 479,678 (Note 8).

As a consequence of the adjustment the previously reported Balance Sheet, Income Statement, Statement of Cash Flows and Statement of Changes in Equity for the six months ended 30 June 2006 were changed to reflect the final values from the date of acquisition.

Consolidated Interim Balance Sheet

	30 June 2006 (adjusted)	30 June 2006
Property, plant and equipment	1,018,971	906,109
Goodwill	2,472,369	2,852,316
Intangible assets	455,850	21,143
Deferred tax liability	152,071	24,906
Prepaid leases	9,670	14,259
Long-term borrowings	694,597	681,466
Other liabilities	115,883	90,883
Accumulated deficit	226,648	224,385

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Interim Income Statement

	Six months ended 30June 2006 (adjusted)	Six months ended 30June 2006
Selling, general and administrative expenses	202,197	199,220
Operating profit	49,672	52,649
Profit before tax	33,387	36,364
Income tax expense	14,115	14,829
Profit for the year	19,272	21,535

Consolidated Interim Statement of Cash Flows

	Six months ended 30June 2006 (adjusted)	Six months ended 30June 2006
Depreciation and amortisation	22,146	19,169
Profit before tax	33,387	36,364

Consolidated Interim Statement of Changes in Equity

	Six months ended 30June 2006 (adjusted)	Six months ended 30June 2006
Accumulated deficit	226,648	224,385

2.31 Specific policies to interim reporting

Tax charges are estimates of the likely effective tax rates for the year. The interim period income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The calculation of the effective tax rate is based on an estimate of the tax charge or credit for the year expressed as a percentage of the expected accounting profit or loss. This percentage is then applied to the interim result, and the tax is recognised rateably over the year as a whole. This amount is adjusted in subsequent periods if the estimate of the annual income tax rate changes.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 judgements 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 judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 35).

Property, plant and equipment. The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment (Note 11). This estimate is based on projected product lifecycles and technical requirements. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or reclassified as held for sale.

The Group periodically assesses whether there is any indication that property, plant and equipment may be impaired. In the current period no such indications exist and therefore no assets impairment testing was performed. In the opposite case, the Group estimates the recoverable amount of the asset or cash generating unit and if it is less than the carrying amount of an asset or cash generating unit an impairment loss is recognised in the income statement.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Fair value of lease rights. The Group's management determines the fair value of lease rights received. The assessment of the fair value of lease rights is based on the estimate of the market rates of the lease prepared by an independent valuation specialist.

Inventory provisions. The Group provides for estimated inventory shrinkage on the basis of a historical shrinkage as a percentage of cost of sales (Note 16). This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results.

Provision for impairment of trade and other receivables. The Group determines an allowance for doubtful accounts receivable at the end of the reporting period (Note 17). In estimating an allowance for uncollectible accounts receivable the Group takes into account the historical collectibility of the outstanding accounts receivable balances supplemented by the judgement of management to exclude the impact of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Classification of VAT. Recovery of VAT depends on the registration of certain property, plant and equipment (Note 18).

Fair value of franchise agreements. The Group's management determines the fair value of franchise agreements acquired in business combinations. The assessment of the fair value of franchise agreements is based on the income method using discounted royalty payments during the period of the agreements.

Fair value of brand and private labels. The Group' management determines the fair value of brand and private labels acquired in business combinations. The assessment of the fair value of a brand is based on the income approach using the relief-from-royalty method. The assessment of fair value of private labels is based on either the income method using discounted annual savings for the remaining useful life of the labels or the cost method.

Valuation of Karusel option. As a result of the business combination with Pyaterochka the Group obtained an option to acquire 100% of the shares of Formata Holding BV (a chain of hypermarkets operating under "Karusel" brand in Saint Petersburg). The value of the option depends on the operating results of Formata Holding BV. As a result of a valuation performed by an independent valuation specialist the Group concluded that the fair value of the option is zero (Note 8).

4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Certain new standards and interpretations became effective for the Group from 1 January 2007. Unless otherwise described below, these new standards and interpretations does not significantly affect the Group's consolidated financial statements:

- ***IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures).*** The IFRS introduces new disclosures to improve the information about financial instruments. Specifically, it requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Group added required disclosures to comply with IFRS 7 in these consolidated interim financial statements.
- ***IFRIC 7, Applying the Restatement Approach under IAS 29 (effective from 1 January 2007).*** The Interpretation clarifies the application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation under with IAS 29.
- ***IFRIC 8, Scope of IFRS 2 (effective from 1 January 2007).*** The interpretation states that IFRS 2 also applies to transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).
- ***IFRIC 9, Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 June 2006 that is from 1 January 2007).*** The Interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contact.
- ***IFRIC 10 "Interim Financial Reporting and Impairment" (effective for periods beginning on or after 1 November 2006, that is from 1 January 2007).*** The interpretation clarifies that an entity should not reverse an impairment loss recognised in previous interim periods in respect of goodwill or an investment in a financial asset carried at cost.

5 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been published that are not yet mandatory for these financial statements, and which the Group has not early adopted:

- ***IFRS 8 Operating Segments (effective for periods beginning on or after 1 January 2009).*** This IFRS supersedes IAS 14 Segment reporting and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The Group is currently assessing what impact the new IFRS will have on disclosures in its financial statements.
- ***IAS 23 Borrowing Costs (revised) (effective for periods beginning on or after 1 January 2009).*** This IAS excludes the benchmark treatment of recognition of borrowing costs as an expense in the period in which they are incurred regardless of how the borrowings are applied. The Group's policy was not to capitalise borrowing costs attributable to acquisition and construction of qualifying assets. The Group is currently assessing what impact the amendment to IAS23 will have on its financial statements.
- ***IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007).*** The interpretation clarifies the issue of classification as equity-settled or as cash settled transactions under the requirements of IFRS 2 when an entity has a right to buy treasury shares to satisfy its obligations to its employees.
- ***IFRIC 12 "Service Concession Arrangements" (effective for periods beginning on or after 1 January 2008).*** The Interpretation gives guidance on the accounting by operators for public-to-private services concession arrangements.
- ***IFRIC 13 "Customer Loyalty Programme" (effective for periods beginning on or after 1 January 2008).*** The Interpetation gives guidance on the accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers. It is the policy of the Group to recognise deferred revenue on customer loyalty programme as a reduction of revenues.
- ***IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for periods beginning on or after 1 January 2008).*** The Interpretation clarifies how entities should account for the effect of any statutory or contractual funding requirements, on how to account for any restrictions that may be in place and when a surplus in a pension plan can be recognised.
- ***IAS 1 Presentation of Financial Statements (revised) (effective for annual periods beginning on or after 1 January 2009).*** The Group is currently assessing what impact the amendment to IAS 1 will have on disclosures in its financial statements.

All of the above new standards and interpretations are not yet adopted by the European Union.

6 SEGMENT REPORTING

The Group has one reportable business segment (retail trade).

	Retail trade	Other	Group
Six months ended 30 June 2007			
Sales – external	2,335,714	11,887	2,347,601
Sales to other segments	-	-	-
Total revenue	**2,335,714**	**11,887**	**2,347,601**
Segment result	180,010	8,982	188,992
Unallocated expenses			(52,189)
Operating profit			**136,803**
Finance costs, net			(54,021)
Share of result of associates			-
Unallocated expenses			9,947
Profit before income tax			**92,729**
Income tax expense			(51,679)
Profit for the period			**41,050**
Capital expenditure	182,287	7,822	190,109
Depreciation and amortisation	69,346	5,839	75,185
Doubtful debtors expense	70	-	70
As at 30 June 2007			
Segment assets	5,330,019	111,689	5,441,708
Investment in associate	5,250	-	5,250
Current and deferred tax assets			16,184
Other unallocated assets			32,337
Total assets			**5,495,479**
Segment liabilities	546,525	-	546,525
Current and deferred tax liability			184,206
Other unallocated liabilities			1,778,944
Total liabilities			**2,509,675**

6 SEGMENT REPORTING (continued)

	Retail	Other	Group
Six months ended 30 June 2006			
Sales – external	891,341	7,442	898,783
Sales to other segments	-	-	-
Total revenue	**891,341**	**7,442**	**898,783**
Segment result	51,360	7,848	59,208
Unallocated expenses			(9,536)
Operating profit			**49,672**
Finance costs, net			(15,833)
Share of result of associates			-
Unallocated expenses			(452)
Profit before income tax			**33,387**
Income tax expense			(14,115)
Profit for the period			**19,272**
Capital expenditure	73,936	-	73,936
Depreciation and amortisation	21,078	1,068	22,146
Doubtful debtors expense	3,115	-	3,115
As at 31 December 2006			
Segment assets	4,950,017	79,067	5,029,084
Investment in associate	-	-	-
Current and deferred tax assets			18,626
Other unallocated assets			44,756
Total assets			**5,092,466**
Segment liabilities	552,060	-	552,060
Current and deferred tax liability			177,604
Other unallocated liabilities			1,472,765
Total liabilities			**2,202,429**

The Group has one reportable geographical segment (Russia):

	Russia	Other	Group
Six months ended 30 June 2007			
Sales – external	2,333,921	13,680	2,347,601
Capital expenditure	189,615	494	190,109
As at 30 June 2007			
Segment assets	5,371,078	124,401	5,495,479
Six months ended 30 June 2006			
Sales – external	885,345	13,438	898,783
Capital expenditure	73,834	102	73,936
As at 31 December 2006			
Segment assets	5,064,230	28,236	5,092,466

7 SUBSIDIARIES

Details of the Company's significant subsidiaries at 30 June 2007 are as follows:

Company	Country	Nature of operations	Ownership (%) 30 June 2007	Ownership (%) 31 December 2006
OOO Agroaspekt	Russia	Retailing	100	100
OOO Agroavto	Russia	Logistic operator	100	100
ZAO Remtransavto	Russia	Real estate	100	100
OOO Pyaterochka 2005	Russia	Real estate	100	100
OOO Set' Roznichnoy Torgovli	Russia	Real estate	100	100
OOO Telprice	Russia	Real estate	100	100
OOO Alliance Service	Russia	Real estate	100	100
OOO Agrotorg	Russia	Retailing	100	100
ZAO Agrostar	Russia	Logistic operator	100	100
ZAO Ceizer	Russia	Real estate	100	100
Speak Global Ltd.	Cyprus	Real estate and trade mark	100	100
OOO Beta Estate	Russia	Real estate	100	100
OOO Pyaterochka Finance	Russia	Bonds issuer	100	100
OOO Elicon	Russia	Real estate	100	100
OOO Ural Retail	Russia	Retailing	51	100
OOO Ural-Agro-Torg	Russia	Retailing	51	26
Perekrestok Holdings Ltd.	Gibraltar	Holding Company	100	100
ZAO TH Perekrestok	Russia	Retailing	100	100
OOO Perekrestok-2000	Russia	Retailing	100	100
OOO Discount-Invest	Russia	Retailing	100	100
Rathmine Holdings Ltd	Cyprus	Holding Company	100	100
ZAT Center SPAR Ukraine	Ukraine	Retailing	100	100
Alpegru Retail Properties Ltd.	Cyprus	Real estate	100	100
OOO Sladkaya Zhizn N.N.	Russia	Retailing	100	100
OOO Metronom AG	Russia	Real estate	100	100
OOO X5 Finance	Russia	Bonds issuer	100	100
LLC Orient Nedvizhimost	Russia	Real estate	100	100

8 ACQUISITION OF SUBSIDIARIES

Pyaterochka

On 18 May 2006, the Group acquired Pyaterochka Holding N.V. The acquisition was structured as follows:

- On 12 April 2006 and on 18 May 2006 the shareholders of Perekrestok Holdings Ltd. acquired 2,467,917 and 12,068,115 ordinary voting shares of Pyaterochka Holding N.V., respectively, for a cash consideration of USD 1,178,000.
- Pyaterochka Holding N.V. acquired 100% of the ordinary voting shares of Perekrestok Holdings Ltd. for 15,813,253 newly issued shares of Pyaterochka Holding N.V. and a cash consideration of USD 300,000.

On completion of the transaction, shareholders and other related parties of Perekrestok Holdings Ltd. obtained control over 56% of Pyaterochka Holding N.V. shares.

The cash consideration paid by Pyaterochka Holding N.V. for the shares of Perekrestok Holdings Ltd. is treated as a distribution of Perekrestok Holdings Ltd's retained earnings to its shareholders.

8 ACQUISITION OF SUBSIDIARIES (continued)

Details of assets and liabilities acquired and the related goodwill are as follows:

	Acquiree's carrying amount, IFRS	**Fair values**
Cash and cash equivalents	327,504	327,504
Inventory of goods for resale	58,750	58,750
Trade and other accounts receivable	73,514	73,514
Intangible assets (Note 14)	1,451	438,661
Property, plant and equipment	524,873	638,209
Derivative financial asset	-	-
Long-term prepaid lease expenses	4,589	-
Deferred tax asset	1,633	1,633
Other assets	1,165	1,165
Short-term borrowings	(37,295)	(37,295)
Trade and other accounts payable	(257,307)	(252,307)
Provisions for tax contingencies (Note 35)	-	(30,000)
Long-term liability for share-based payments	(42,288)	(42,288)
Long-term borrowings	(544,034)	(557,165)
Non-current lease payable	(3,714)	(3,714)
Deferred tax liability	(9,110)	(136,989)
Net assets acquired	99,731	479,678
Goodwill (Note 13)		2,446,960
Total acquisition cost		2,926,638
Net cash inflow arising from the acquisition		**327,504**

The total acquisition cost is determined based on the published share price of the ordinary voting shares of Pyaterochka Holding N.V. on 12 April 2006, the exchange date, and represents the market capitalisation of Pyaterochka Holding N.V. on that date.

The non-cash component of the cost of acquisition of Pyaterochka was excluded from the consolidated interim statement of cash flows.

The provisional fair values assigned to the acquired net assets reported in the consolidated interim financial statements for the six months ended 30 June 2006 were USD 99,731. After the completion of the purchase price allocation the aggregate fair value of the acquired net assets changed by USD 379,947 and amounted to USD 479,678.

As a result of the business combination with Pyaterochka the Group obtained an option to acquire 100% of the shares of Formata Holding BV (a chain of hypermarkets operating under “Karusel” brand in Saint Petersburg. It is exercisable in the period from 1 January 2008 until 1 July 2008 at a price that is calculated based on the acquiree's sales, EBITDA and debt. The Group has used multipliers to assign a fair value to the option rather than applying other valuation techniques. This is due to high volatility of the acquiree's sales and EBITDA for the recent period that made the results of applying other valuation techniques highly dispersed. As a result of multipliers valuation performed by an independent valuation specialist the Group concluded that the fair value of the option is zero both at the acquisition date and at 30 June 2007.

Pyaterochka goodwill is justified by the following factors i) know how and developed technologies of Pyaterochka in retail business that contributed to the fact that it is one of the most profitable retailers in Russia, ii) qualified management team and staff of Pyaterochka, iii) expected cost and revenue synergies from the business combination, iv) business concentration v) business contacts acquired together with assets of Pyaterochka. Each of the factors contributed to the acquisition cost that results in the recognition of goodwill. However, these intangible assets are not separately recognised in the balance sheet of the Company because they are either not separable or there are no reliable bases for estimating their fair values.

8 ACQUISITION OF SUBSIDIARIES (continued)

Merkado

In November 2006, the Group acquired 100% of the voting shares of OAO Merkado Group and OOO Metronom AG for USD 101,061. OAO Merkado Group and OOO Metronom AG operate 17 retail grocery stores in Moscow.

Details of assets and liabilities acquired and the related goodwill are as follows:

	Acquiree's carrying amount, Russian GAAP	**Fair values**
Cash and cash equivalents	1,488	1,489
Inventory of goods for resale	6,823	3,611
Trade and other accounts receivable	16,301	7,261
Intangible assets (Note 14)	40,976	34,974
Property, plant and equipment	29,730	121,855
Other assets	1,239	1
Short-term borrowings	(3,740)	(3,740)
Trade and other accounts payable	(12,245)	(15,166)
Provisions for tax contingencies (Note 35)	-	(10,000)
Long-term borrowings	(99,376)	(99,376)
Deferred tax liability	434	(30,445)
Net assets acquired	(18,370)	10,464
Goodwill (Note 13)		90,597
Total acquisition cost		101,061
Net cash outflow arising from the acquisition		**99,572**

For identification of fair values the Group engaged an independent valuation specialist. In estimating the fair values for the majority of Pyaterochka and Merkado's property, plant and equipment direct references to observable prices in an active market were used (market approach). However, where there was no active market providing reliable information of prices for certain items of property, plant and equipment, then the depreciated replacement cost approach was applied. Fair values of intangible assets were determined using the replacement cost or discounted cash flows methods. These valuation techniques were used since there is no reliable information for market transactions.

Several intangible assets cannot be separately recognised in the balance sheet of the Company because they are either not separable or there are no reliable bases for estimating their fair values. These intangible assets contributed to the recognition of the Merkado goodwill: i) business concentration in Moscow region ii) qualified management team of Merkado iii) expected cost synergies from the business combination.

Under the purchase agreement, the Group has an indemnity for all costs in excess of USD 1,000 that the Group may suffer, including claims in respect of any tax liability or indebtedness arising out of any matter that occurred prior to the date of completion of the acquisition, 17 November 2006, up to a limit of USD 20,000. Furthermore, if the aggregate amount of claims made by the Group to the sellers exceeds USD 20,000 the Group has an option to sell back 100% of the voting shares of the Merkado Group to the former shareholders. The option may be exercised by the Group not later than 31 December 2007. Management estimates that the cost and fair value of the option on the date of acquisition and at the year-end are insignificant.

8 ACQUISITION OF SUBSIDIARIES (continued)

Chelyabinsk

At 1 January 2007 the Group obtained control over OOO "Ural-Agro-Torg" and OOO "Leto", entities of Chelyabinsk region. As at 30 June 2007 the Group increased its shareholding in OOO "Ural-Agro-Torg" and OOO "Leto" from 26% to 51% in exchange of 49% of shares of OOO "Ural-Retail" and OOO "Legion" (share in net identifiable assets in these entities amounted to USD 220 as at the date of business combination).

Details of assets and liabilities acquired and the related goodwill are as follows:

	Acquiree's carrying amount, Russian GAAP	Fair values
Cash and cash equivalents	1,699	1,699
Inventory of goods for resale	4,441	4,296
Trade and other accounts receivable	4,466	2,961
Intangible assets (Note 14)	-	486
Property, plant and equipment (Note 11)	6,763	11,172
Derivative financial asset*	-	1,500
Deferred tax asset (Note 31)	-	694
Other assets	1,101	-
Short-term borrowings	(14,179)	(12,974)
Trade and other accounts payable	(8,558)	(10,406)
Deferred tax liability (Note 31)	-	(1,882)
Net assets acquired	(4,267)	(2,454)
Goodwill (Note 13)		7,294
Total acquisition cost		**4,840**

* under the Shareholders Agreement the Group also acquired an option to purchase the remaining 49% of the share capital of OOO "Ural-Agro-Torg" , OOO "Leto", OOO "Ural-Retail" and OOO "Legion".

The option is exercisable in the period from 1 January 2008 until 30 June 2009 at a price that is calculated based on the acquiree's sales and debt. The Group considers change in the value of the option between the date of acquisition and the reporting date as insignificant.

The goodwill recognised is attributable to: i) the business concentration in Ural region and ii) expected cost synergies from the business combination.

Acquired businesses contribution to financial results of the Group

In the year ended 31 December 2006 the acquired business of Pyaterochka contributed revenue of USD 1,291,074 and net profit of USD 63,542 from the date of acquisition. In the year ended 31 December 2006 the acquired business of Merkado contributed revenue of USD 16,599 and net loss of USD 3,481 from the date of acquisition.

In the six month period ended 30 June 2006 the acquired business of Pyaterochka contributed revenue of USD 223,806 and net profit of USD 328 from the date of acquisition. Since the Group acquired Merkado in November 2006 the acquired business of Merkado did not contribute neither revenue nor net profit in the six month period ended 30 June 2006.

If the acquisitions had occurred on 1 January 2006, the Group's profit for the six months ended 30 June 2006 would have been USD 18,944 for the Group, not including Pyaterochka Holding N. V. operations and USD 25,304 for total Group; the Group's revenue for the same period would have been USD 674,977 and USD 1,580,846 accordingly.

In estimating effect of Pyaterochka and Merkado contribution to revenue and net profit of the Group it is assumed that depreciation and amortization of fair valued property, plant and equipment and intangibles was evenly charged throughout the period.

9 RELATED PARTY TRANSACTIONS

Parties are generally 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 or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding at 30 June are provided below.

Alfa Group
The following transactions were carried out with members of Alfa Group:

	Relationship	Six months ended 30 June 2007	Six months ended 30 June 2006
CTF Holdings Ltd.	Ultimate parent company		
Management services received		519	322
OAO "Alfa-Bank"	Under common control		
Interest expense on loans received		1,673	83
Bank charges		99	187
Rent revenue		113	-
VimpelCom	Under significant influence of CTF Holdings Ltd.		
Communication services rendered by VimpelCom to the Group		273	140
Commission for mobile phone payments processing rendered by the Group to VimpelCom		294	200
Golden Telecom	Under significant influence of CTF Holdings Ltd.		
Communication services received		1,044	224

The consolidated interim financial statements include the following balances with members of the Alfa Group:

	30 June 2007	31 December 2006
Cash and cash equivalents		
OAO "Alfa-Bank"	43,771	20,173
Short-term loans payable		
OAO "Alfa-Bank"	-	16,400
Receivable from related party		
VimpelCom	81	109
Golden Telecom	83	252
OAO "Alfa-Bank"	86	-
Other accounts payable		
VimpelCom	6	6
CTF Holding Ltd.	-	256

Alfa-Bank
The Group has an open credit line with Alfa-Bank. This credit line has a maximum limit of USD 150,000 and a floating interest rate. At 31 December 2006 the annual interest rate on this credit line was 6.9%-7.52% p.a. At 30 June 2007 the Group had no balance under this credit line (31 December 2006: 40,000) (Note 33) and therefore had available credit lines of USD 150,000.

9 RELATED PARTY TRANSACTIONS (continued)

Other related parties
The following transactions were carried out with other related parties controlled by management of the Group:

ZAO "Novye Roznichnye Technologii"
The following transactions were carried out with ZAO "Novye Roznichnye Technologii":

	Six months ended 30 June 2007	Six months ended 30 June 2006
Operating lease expenses	597	428
Communication services	43	-

The consolidated interim financial statements include the following balances with ZAO "Novye Roznichnye Technologii":

	30 June 2007	31 December 2006
Accounts payable	116	152

OOO "Rusel" and OOO "Rusel M"
The following transactions were carried out with OOO "Rusel" and OOO "Rusel M":

	Six months ended 30 June 2007	Six months ended 30 June 2006
Outsourcing services provided by the Group	472	214
Rental income received by the Group	107	26

The consolidated interim financial statements include the following balances with OOO "Rusel" and OOO "Rusel M":

	30 June 2007	31 December 2006
Accounts receivable	109	504

OOO "Media 5" and OOO "Media 5M"
The following transactions were carried out with OOO "Media 5" and OOO "Media 5M":

	Six months ended 30 June 2007	Six months ended 30 June 2006
Advertising services provided by the Group	269	268

The consolidated interim financial statements include the following balances with OOO "Media 5" and OOO "Media 5M":

	30 June 2007	31 December 2006
Loans and receivables	79	115

The carrying value of loans and receivables approximates their fair value. Financial assets are not collateralised. None of the financial assets are either past due or impaired. The Group assesses credit quality of the investments as high.

9 RELATED PARTY TRANSACTIONS (continued)

OOO "Makromir"

The following transactions were carried out with OOO "Makromir":

	Six months ended 30 June 2007	Six months ended 30 June 2006
Construction services provided to the Group	359	-

The consolidated interim financial statements include the following balances with OOO "Makromir":

	30 June 2007	31 December 2006
Loans and receivables	623	642

The carrying value of loans and receivables approximates their fair value. Financial assets are not collateralised. None of the financial assets are either past due or impaired. The Group assesses credit quality of the investments as high.

Donette Investments Limited

Investment in associate is disclosed in Notes 15, 19. The Group received 70% of the share capital of Donette Investments Limited as collateral from a related party.

Key management personnel compensation

Key management personnel compensation is disclosed in Note 29.

10 CASH

	30 June 2007	31 December 2006
Cash in hand – Roubles	8,976	6,207
Cash in hand – Ukrainian Hryvnia	51	86
Bank current account – Roubles	67,777	61,740
Bank current account – Ukrainian Hryvnia	381	164
Bank current accounts and deposits – US Dollars	112,947	32,075
Cash in transit – Roubles	32,592	54,715
Cash in transit – Ukrainian Hryvnia	381	354
Short term deposits and other cash equivalents	111,563	12,647
	334,668	**167,988**

The bank accounts represent current accounts with an effective interest rate of nil. Cash in transit is cash transferred from retail outlets to bank accounts and bank card payments being processed.

The Group assesses credit quality of outstanding cash and cash equivalents balances as high and considers no significant individual exposure. Maximum exposure to credit risk at the reporting date is the carrying value of cash and bank balances.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Refrigera-ting equipment	Vehicles	Other	Construc-tion in progress	Total
Cost:							
At 31 December 2006	857,421	143,257	90,091	12,690	94,030	209,078	1,406,567
Additions	29,682	2,510	2,069	232	8,986	138,808	182,287
Transfers	132,856	5,349	7,554	4,387	28,679	(178,825)	-
Assets from acquisitions (Note 8)	7,949	694	1,942	66	279	242	11,172
Disposals	(17,357)	(974)	(800)	(1,166)	(1,083)	(1,850)	(23,230)
Translation movement	17,756	3,585	1,916	285	2,258	2,248	28,048
At 30 June 2007	1,028,307	154,421	102,772	16,494	133,149	169,701	1,604,844
Accumulated depreciation:							
At 31 December 2006	(47,351)	(43,146)	(16,869)	(1,530)	(25,741)	-	(134,637)
Charge for the period	(19,732)	(14,646)	(12,111)	(2,944)	(4,344)	-	(53,777)
Disposals	1,487	232	435	403	156	-	2,713
Translation movement	(1,137)	(1,552)	(453)	(57)	(482)	-	(3,681)
At 30 June 2007	(66,733)	(59,112)	(28,998)	(4,128)	(30,411)	-	(189,382)
Net book value at 30 June 2007	**961,574**	**95,309**	**73,774**	**12,366**	**102,738**	**169,701**	**1,415,462**
Net book value at 31 December 2006	**810,070**	**100,111**	**73,222**	**11,160**	**68,289**	**209,078**	**1,271,930**
Cost:							
At 31 December 2005	212,996	80,375	23,522	2,002	12,022	50,165	381,082
Additions	9,717	3,214	1,426	160	2,158	57,261	73,936
Transfers	34,073	4,471	2,426	946	8,116	(50,032)	-
Assets from acquisitions	377,687	11,637	37,099	5,492	29,241	177,053	638,209
Disposals	(4,510)	(56)	(69)	(139)	(264)	(34)	(5,072)
Disposal of subsidiaries	-	(121)	-	-	(18)	-	(139)
Translation movement	13,111	4,770	1,382	111	770	2,338	22,482
At 30 June 2006	643,074	104,290	65,786	8,572	52,025	236,751	1,110,498
Accumulated depreciation:							
At 31 December 2005	(24,389)	(27,381)	(9,844)	(366)	(6,159)	-	(68,139)
Charge for the period	(6,099)	(7,286)	(2,748)	(435)	(2,415)	-	(18,983)
Disposals	252	5	69	66	62	-	454
Disposal of subsidiaries	-	120	-	-	18	-	138
Translation movement	(2,522)	(1,082)	(542)	(23)	(828)	-	(4,997)
At 30 June 2006	(32,758)	(35,624)	(13,065)	(758)	(9,322)	-	(91,527)
Net book value at 30 June 2006	**610,316**	**68,666**	**52,721**	**7,814**	**42,703**	**236,751**	**1,018,971**
Net book value at 31 December 2005	**188,607**	**52,994**	**13,678**	**1,636**	**5,863**	**50,165**	**312,943**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress predominantly relates to the development of stores through the use of sub-contractors.

The buildings are mostly located on leased land. Land leases with periodic lease payments are disclosed as part of commitments under operating leases (Note 35). Certain land leases are prepaid for the 49 year term. Such prepayments are presented as non-current prepaid leases in the balance sheet and amount to USD 15,762 (31 December 2006: USD 9,440).

The Group leases certain assets under finance leases (Note 22). At 30 June 2007 and 31 December 2006 the net book value of the property, plant and equipment held under finance lease arrangements was:

	30 June 2007	31 December 2006
Gross book value:		
Vehicles	1,784	2,699
Refrigerating equipment	9,333	9,150
	11,117	11,849
Accumulated depreciation:		
Vehicles	(354)	(567)
Refrigerating equipment	(2,375)	(1,873)
	(2,729)	(2,440)
Net book value of property, plant and equipment obtained under finance lease arrangements	**8,388**	**9,409**

Refer to Note 21 for property, plant and equipment pledged as collateral for borrowings.

12 INVESTMENT PROPERTY

The Group held the following investment properties at 30 June 2007 and 31 December 2006:

Cost:	
Cost at 31 December 2006	41,446
Additions	7,822
Translation movement	1,497
Cost at 30 June 2007	50,765
Accumulated depreciation:	
Accumulated depreciation at 31 December 2006	(1,426)
Charge for the period	(1,068)
Translation movement	(39)
Accumulated depreciation at 30 June 2007	(2,533)
Net book value at 30 June 2007	**48,232**
Net book value at 31 December 2006	**40,020**

Cost:	
Cost at 31 December 2005	12,166
Additions	-
Translation movement	765
Cost at 30 June 2006	12,931
Accumulated depreciation:	
Accumulated depreciation at 31 December 2005	(511)
Charge for the period	(260)
Translation movement	(38)
Accumulated depreciation at 30 June 2006	(809)
Net book value at 30 June 2006	**12,122**
Net book value at 31 December 2005	**11,655**

12 INVESTMENT PROPERTY (continued)

Rental income from investment propertry amounted to USD 4,489 (six months ended 30 June 2006: USD 1,624). Direct operating expenses incurred by the Group in relation to investment property in the six month period ended 30 June 2007 were USD 1,555 (six months ended 30 June 2006: USD 150).

Management estimates that the fair value of investment property at 30 June 2007 amounted to USD 53,769 (30 June 2006: USD 14,535).

Fair value represents the price at which a property could be sold to a knowledgeable, willing party and has generally been determined using the comparative valuation approach. The Group did not engage an independent valuation specialist to assess the fair value of investment properties.

13 GOODWILL

Movements in goodwill arising on the acquisition of subsidiaries at 30 June 2007 and 31 December 2006 are:

Cost:	
Gross book value at 31 December 2006	2,622,949
Acquisition of subsidiaries (Note 8)	7,294
Translation to presentation currency	51,241
Gross book value at 30 June 2007	2,681,484
Accumulated impairment losses:	
Accumulated impairment losses at 31 December 2006	-
Impairment loss	-
Accumulated impairment losses at 30 June 2007	-
Carrying amount at 30 June 2007	**2,681,484**
Carrying amount at 31 December 2006	**2,622,949**

Cost:	
Gross book value at 31 December 2005	24,153
Acquisition of subsidiaries (Note 8)	2,446,960
Translation to presentation currency	1,256
Gross book value at 30 June 2006	2,472,369
Accumulated impairment losses:	
Accumulated impairment losses at 31 December 2005	-
Impairment loss	-
Accumulated impairment losses at 30 June 2006	-
Carrying amount at 30 June 2006	**2,472,369**

13 GOODWILL (continued)

Goodwill originated from the following operations.

	30 June 2007	Acquisition of subsidiaries (Note 8)	Translation movement	31 December 2006
Pyaterochka operations	2,562,817	7,294	50,729	2,504,794
Merkado operations	92,222	-	77	92,145
Operations in Moscow, Russia	3,066	-	60	3,006
Operations in Nizhniy Novgorod, Russia	13,062	-	255	12,807
Operations in Yaroslavl, Russia	5,877	-	115	5,762
Other operations	4,440	-	5	4,435
	2,681,484	**7,294**	**51,241**	**2,622,949**

Goodwill Impairment Test

For the purposes of impairment testing, goodwill is allocated to a single cash-generating unit (CGU) being the retail trading in Russia. This level represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The CGU to which goodwill has been allocated is tested for impairment annually or more frequently if there are indications that the CGU might be impaired. Goodwill is tested for impairment at the CGU level by comparing carrying values of CGU assets including allocated goodwill to their recoverable amounts. The recoverable amount of CGU is determined as the higher of fair value less cost to sell or value in use. The Group will perform the annual impairment test at 31 December 2007.

The Group defines fair value less costs to sell of the CGU by reference to an active market, i.e. as a market capitalization of the Group on the London stock exchange, since the Group's activities other than retail trade in Russia insignificantly affects the fair value. The market capitalization of the Group at 30 June 2007 significantly exceeded the carrying amount of the CGU. For indication purposes fair value less costs to sell of the CGU will be lower than its carrying amount if the share price falls below the level of USD 56 per share.

14 INTANGIBLE ASSETS

Intangible assets comprise the following:

	Brand and private labels	Franchise agreements	Software and other	Lease rights	Total
Cost:					
At 1 January 2007	331,215	71,526	5,858	104,816	513,415
Additions	-	-	735	-	735
Acquisition of subsidiaries (Note 8)	-	-	-	486	486
Disposals	-	-	(788)	-	(788)
Transfer	1,529	-	1,771	(3,300)	-
Translation movement	6,629	1,427	268	2,060	10,384
At 30 June 2007	339,373	72,953	7,844	104,062	524,232
Accumulated amortisation:					
At 1 January 2007	(10,434)	(4,581)	(2,680)	(3,461)	(21,156)
Charge for the period	(10,930)	(4,771)	(1,624)	(3,015)	(20,340)
Disposals	-	-	1	-	1
Transfer	(779)	-	779	-	-
Translation movement	(421)	(144)	(822)	576	(811)
At 30 June 2007	(22,563)	(9,496)	(4,346)	(5,900)	(42,306)
Net book value at 30 June 2007	**316,810**	**63,457**	**3,498**	**98,162**	**481,926**
Net book value at 31 December 2006	**320,781**	**66,945**	**3,178**	**101,355**	**492,259**

14 INTANGIBLE ASSETS (continued)

	Brand and private labels	Franchise agreements	Software and other	Lease rights	Total
Cost:					
At 1 January 2006	-	-	1,280	19,138	20,418
Additions	-		53	-	53
Acquisition of subsidiaries (Note 8)	323,526	69,866	3,704	41,565	438,661
Disposals	-	-	(38)	-	(38)
Translation movement	-	-	89	998	1,087
At 30 June 2006	323,526	69,866	5,088	61,701	460,181
Accumulated amortisation:					
At 1 January 2006	-	-	(704)	(674)	(1,378)
Charge for the period	(1,478)	(644)	(226)	(555)	(2,903)
Translation movement	-	-	(51)	1	(50)
At 30 June 2006	(1,478)	(644)	(981)	(1,228)	(4,331)
Net book value at 30 June 2006	**322,048**	**69,222**	**4,107**	**60,473**	**455,850**
Net book value at 31 December 2005	**-**	**-**	**576**	**18,464**	**19,040**

15 INVESTMENT IN ASSOCIATE

At 31 December 2006 the Group recorded a long-term loan issued to Donette Investments Limited in the amount of USD 5,250 with an interest rate of 10% p.a. In the current reporting period the Group has concluded an agreement with Donette Investments Limited by which the Group converts its loan into 30% in the share capital of Donette Investments Limited. The Group does not recognise any goodwill at the acquisition date.

As at 30 June 2007 the Group has 30% of the share capital of Donette Investments Limited. The amount of investment is USD 5,250. At 30 June 2007 and 31 December 2006, summarised financial information of Donette Investments Limited, including total assets, liabilities, revenues and profit or loss, were as follows:

	30 June 2007	31 December 2006
Total assets	9,281	9,630
Total liabilities	5	5
Revenue	-	-
Profit / (loss)	(349)	882

As of 30 June 2007 the Group considers that the fair value of the investment approximates its carrying amount.

16 INVENTORIES OF GOODS FOR RESALE

Inventories as of 30 June 2007 and 31 December 2006 comprise the following:

	30 June 2007	31 December 2006
Goods held for resale	214,960	210,543
Less: provision for shrinkage	(4,452)	(1,967)
	210,508	**208,576**

Refer to Note 21 for goods pledged as collateral for borrowings.

Inventory shrinkage recognised as cost of sales in the consolidated interim income statement amounted to USD 35,896 (six months ended 30 June 2006: USD 10,715).

17 TRADE AND OTHER ACCOUNTS RECEIVABLE

	30 June 2007	31 December 2006
Trade accounts receivable	53,449	38,442
Advances made to trade suppliers	4,386	12,478
Other receivables	13,985	32,411
Deferred expenses and prepayments	59,805	67,717
Accounts receivable for franchise services	4,722	1,287
Receivables from related parties (Note 9)	907	1,622
Provision for impairment of trade and other receivables	(5,802)	(5,732)
	131,452	**148,225**

All classes of receivables are categorized as loans and receivables under IAS 39 classification.
The carrying amounts of the Group's trade and other receivables are primarily denominated in Russian Roubles.

Trade receivables

There are no receivables that are past due but not impaired. As of 30 June 2007, trade receivables of USD 4,068 were impaired (31 December 2006: USD 4,832).

The individually impaired trade receivables mainly relate to debtors that expect financial difficulties or there is likelihood of the debtor's insolvency. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	30 June 2007	31 December 2006
3-6 months	806	875
Over 6 months	3,262	3,957
	4,068	**4,832**

Movements on the provision for impairment of trade receivables are as follows:

For the six months ended 30 June 2007	
At 31 December 2006	4,832
Accrual of provision for receivables impairment	-
Release of provision for receivables impairment	(764)
At 30 June 2007	**4,068**

For the six months ended 30 June 2006	
At 31 December 2005	1,555
Accrual of provision for receivables impairment	3,115
Release of provision for receivables impairment	-
At 30 June 2006	**4,670**

For those receivables that are neither past due nor impaired the Group considers the credit quality as high. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The creation and release of provision for impaired receivables have been included in general and administrative costs in the income statement.

Other receivables and receivables for franchise services

There are no receivables that are past due but not impaired. As of 30 June 2007, other receivables of USD 1,734 were impaired (31 December 2006: USD 900).

The individually impaired other receivables mainly relate to debtors that expect financial difficulties or there is likelihood of the debtor's insolvency. It was assessed that a portion of the receivables is expected to be recovered. All such receivables are over six months of age both as at 30 June 2007 and 31 December 2006.

17 TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Movements on the provision for impairment of other receivables for the six month period ended 30 June 2007 are as follows:

At 31 December 2006	900
Accrual of provision for receivables impairment	834
Release of provision for receivables impairment	-
At 30 June 2007	**1,734**

No provision for impairment of other receivables was made in the six month period ended 30 June 2006.

For those receivables that are neither past due nor impaired the Group considers the credit quality as high. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The creation and release of provision for impaired receivables have been included in general and administrative costs in the income statement.

18 VAT AND OTHER TAXES RECOVERABLE

	30 June 2007	31 December 2006
VAT recoverable	118,736	85,771
Other taxes receivable	1,246	3,663
	119,982	**89,434**

VAT recoverable related to property, plant and equipment of USD 57,004 (31 December 2006: USD 54,202) is recorded within current assets because management expects it will be recovered within 12 months after the balance sheet date. Timing of the VAT refund depends on the registration of certain property, plant and equipment, therefore there are risks that recovering the balance may take longer than twelve months.

19 FINANCIAL ASSETS AND LIABILITIES

Available-for-sale financial assets include the following:

		30 June 2007	31 December 2006
Bank promissory notes	RUB	5,939	-
Other		-	623

Changes in the fair value of securities classified as available for sale were insignificant during the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

Included in the loans originated is an interest-bearing loan for USD 20,000 nominated in Russian roubles with a less than 1 year maturity. Interest rate on the loan is 13% per annum. The loan is collateralised with 70% of the share capital of Donette Investments Limited (Note 15).

Derivative financial instruments

The Group recognised the following derivative financial instruments as at 30 June 2007:

	Financial assets at fair value through profit or loss		Financial liabilities at fair value through profit or loss	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Interest rate swap	2,694	-	-	-
Equity swap	-	-	128	-
Foreign exchange collar	-	-	2,399	-
Forward sale contract	-	-	74,835	-
Call option for 49% share in subsidiaries (Note 8)	1,500	-	-	-
	4,194	**-**	**77,362**	**-**

19 FINANCIAL ASSETS AND LIABILITIES (continued)

The Group has purchased an interest rate swap and a foreign exchange collar from a high-credit quality banking institution. LIBOR has been fixed at 5% per annum and the foreign exchange collar at 32.4 and 23.85 RR/US dollar. The Group does not formally designate the interest swap and the foreign exchange collar as hedging instruments and does not apply hedge accounting. The Group re-measured the interest rate swap and the foreign exchange collar as at 30 June 2007 based on an active market quotations and recognized gain of USD 2,667 and loss of USD 2,374 accordingly in the income statement.

The Group entered into a pre-paid forward sale on the Company's GDRs. The amount of GDRs subject to the agreement is 2,555,366. The transaction is securitized with the Company's GDRs and is arranged in 2 tranches. The notional amount of the financial instrument is USD 74,963. At the inception of the transaction it is settled in cash. To offset exposure to the GDRs the Group purchased equity swap contract with the Company's GDRs as underlying assets. The transaction is also arranged in 2 tranches and the Group pays interest of 5.35% / LIBOR +1.5% accordingly for each of the tranches. The effects of the above transactions of pre-pair forward sale and equity swap in the income statement of the Group offset each other.

The agreements are concluded with a high-credit quality banking institution for a short-term period. The Group recognized a gain on the pre-paid forward sale of USD 128 and loss of USD 128 on the equity swap in the income statement for the six months ended 30 June 2007.

The notional amounts of the outstanding interest rate swap and equity swap contracts at 30 June 2007 were nil (2006: nil).
The maturity of derivative financial instruments is as follows:

	Assets	Liabilities
In 1 year or less	4,194	77,362
1-3 years	-	-

None of the financial assets are either past due or impaired. The Group assesses credit quality of the investments as high.

20 OTHER LIABILITIES

	30 June 2007	31 December 2006
Taxes other than income tax	20,207	21,836
Provision for uncertain tax positions (Note 35)	55,773	55,773
Accrued salaries and bonuses	41,043	61,366
Payables to landlords	4,835	7,635
Other accounts payable and accruals	10,797	16,675
Accounts payable for services received	15,410	7,979
Accounts payable for property, plant and equipment	8,613	20,005
Advances received	15,744	9,441
	172,422	**200,710**

21 BORROWINGS

	Currency	Interest rate, % p.a.	30 June 2007	31 December 2006
Short-term				
Current portion of Syndicated loan*	USD	LIBOR + 2.25%	-	112,000
Bridge facility****	USD	LIBOR+0.75%	990,314	-
Current portion of Perekrestok's bonds **	RR	8.15%	57,856	56,725
Pyaterochka Finance's bonds - 1st issue***	RR	11.45%	61,286	-
Pyaterochka Finance's bonds - 2nd issue***	RR	9.30%	123,028	-
Commerzbank	USD	LIBOR+1.4%	100,000	-
Barclays Bank Plc	RR	6.50%	116,206	-
Raiffeisenbank	RR	MOSPRIME1+ 1.20%	15,204	-
Alfa-Bank	USD	6.90%-7.52%	-	16,400
UralSib Bank	USD	6.95%	-	12,760
UralSib Bank	RR	12.50%	1,394	-
Raiffeisenbank overdraft	RR	MOSPRIME1 +1.25%	581	-
Raiffeisenbank overdraft	RR	7.19%-7.34%	-	6,266
Sberbank overdraft	RR	10.00%	187	-
Sberbank	RR	12.00%	775	-
Sberbank	RR	11.00%	-	11,431
AKB BIN Bank	RR	16.00%	-	2,279
Uralsib overdraft	RR	11.00%	1,539	-
Other	RR	-	14	152
			1,468,385	218,013
Long-term				
Syndicated loan *	USD	LIBOR + 2.25%/ 2.50%	-	788,016
Pyaterochka Finance's bonds – 1st issue ***	RR	11.45%	-	60,667
Pyaterochka Finance's bonds – 2nd issue ***	RR	9.30%	-	121,590
Perekrestok's bonds **	RR	8.15%	-	56,725
Bank Petrocommerce	RR	11.00%	-	90,850
Other loans	RR		1,859	-
Less:				
Current portion of Syndicated loan*	USD	LIBOR + 2.25%	-	(112,000)
Current portion of Perekrestok's bonds **	RR	8.15%	-	(56,725)
			1,859	949,123
Total borrowings			**1,470,244**	**1,167,136**

* In May 2006 the Company raised USD 800,000 from a consortium of banks. The loan is divided into two tranches as follows:

- USD 450,000 for three years bearing interest at LIBOR plus 2.25%, repayable as follows: USD 112,000 on each of the 18th, 24th and 30th month of the loan and a final payment of USD 114,000 on maturity, i.e. in May 2009.
- USD 350,000 bearing interest at LIBOR plus 2.5% and increasing to LIBOR plus 3% after one year and has a three-year maturity.

The syndicated loan at 31 December 2006 is shown net of related transaction costs of USD 11,984 which are amortised over the term of the loan using the effective interest method. LIBOR rate is repriced every quarter.

21 BORROWINGS (continued)

The Group has pledged as collateral for the syndicated loan 100% of voting shares in its subsidiaries, including Speak Global Ltd., OOO Agrotorg, OOO Agroaspect, Perekrestok Holdings Ltd., Alpegru Retail Properties Ltd., ZAO TH “Perekrestok”, OOO Perekriostok-2000, ZAO Ceizer, ZAO Remtransavto.

** In July 2005 the Group issued Russian Rouble denominated bonds in the amount of RR 1,500 million (USD 52,217 at the time of issue). The bonds have a maturity of 3 years. Coupon income is payable twice a year. The interest rate for the first and second coupon is 8.15% p.a. The bond origination costs amounted to USD 400. They reduced the amount of bonds drawn down and are amortised over the estimated life of the bonds. In July 2007 bonds were redeemed by the Group, therefore all the bonds are classified as a current liability in these consolidated interim financial statements.

*** Pyaterochka Finance’s rouble-denominated bonds, issue 1 and 2, were acquired by the Group in course of the acquisition (Note 8).

- The first series of bonds was issued by Pyaterochka Finance in March 2005. The aggregate nominal value of the first issue amounted to RR 1,500 million (USD 58,103 as of 30 June 2007). The first series of bonds has a maturity of five years and bears interest at a fixed rate of 11.45% per annum. Interest is payable every six months.

- The second series of bonds was issued by Pyaterochka Finance in December 2005. The aggregate nominal value of the second issue amounted to RR 3,000 million (USD 116,206 as of 30 June 2007). The second series of bonds has a maturity of five years and bears interest at a fixed rate of 9.3% per annum. Interest is payable every six months.

In June 2007 the Group announced its plan to refinance Pyaterochka Finance’s bond issues with the issuance of a new bond. Therefore the Group reported Pyaterochka Finance’s rouble-denominated bonds in current liabilities. The new bond was successfully placed on 10 July 2007 in the amount of RR 9,000 (USD 350,000 as at 10 July 2007).

**** In June 2007 the Group raised a bridge facility of USD 1,000,000 from a consortium of banks bearing interest at LIBOR plus 0.75% per annum and increasing to LIBOR plus 2.5% per annum after first six months and has a year maturity with possibility of earlier redemption. Effective interest rate of the new bridge facility is LIBOR + 0.75% p er annum. Part of the money raised was used to refinance the existing syndicated loan with the principal amount of USD 800,000 and other borrowings. The Group has pledged as collateral for the syndicated loan 100% of voting shares, cash on the bank accounts and receivable accounts in its subsidiaries, including OOO “Agrotorg”, OOO “Agroaspect”, Perekrestok Holdings Ltd., Alpegru Retail Properties Ltd., ZAO “TH “Perekrestok”, OOO “Perekrestok-2000”. LIBOR rate is repriced every interest period.

The Group maintains optimal capital structure by tracing certain capital requirements based on the ratios included as covenants into loan agreements (Note 34). The new bridge facility includes the following covenants: maximum level of Debt/EBITDA is 4, minimum level of EBITDA/Interest expense is 3 and minimum level of EBITDAR/Fixed costs is 1.75.

22 OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain refrigerating equipment and vehicles under finance lease terms. The agreements expire in 2007-2009 and assume a transfer of ownership for the leased assets to the Group at the end of the lease term. The effective borrowing rate on lease agreements as of 30 June 2007 varies from 9.0% to 13.0% per annum on USD agreements and from 23.0% to 31.0% per annum on RR agreements. The fair value of the finance lease liability as of 30 June 2007 approximates its carrying amount.

Lease obligations of the Group as of 30 June 2007 and 31 December 2006 consisted of the following:

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
Amounts payable :				
Within one year	3,090	3,261	2,373	2,271
In the second to fifth years inclusive	2,374	3,879	2,024	2,913
	5,464	7,140	4,397	5,184
Less: future finance charges	(1,067)	(1,956)	N/A	N/A
Present value of minimum lease payments	**4,397**	**5,184**	**4,397**	**5,184**

23 SHARE CAPITAL

As described in Note 2.1 the equity structure of the Group represents the equity structure of X5 Retail Group N.V. As of 1 January 2006 the Company had 38,306,785 ordinary shares issued and fully paid. The nominal par value of each ordinary share is EUR 1. The Company has only one class of ordinary shares. As part of the acquisition (Note 8) in April 2006 the Group issued an additional 15,813,253 ordinary shares.

During the year 2006 the Group repurchased 902,278 ordinary shares for general corporate purposes, including funding the employees' share option program (ESOP) liabilities and potential acquisitions. As of 30 June 2007 the Group had 190,000,000 authorised ordinary shares of which 53,217,760 ordinary shares are outstanding. As of 30 June 2007 the fair value of outstanding shares amounted to USD 6,237,121.

No dividends were paid or declared during the six months ended 30 June 2007 or the year ended 31 December 2006 other than the USD 300,000 payment to former shareholders of Perekrestok Holdings Ltd. as disclosed in note 8.

24 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

Earnings per share are calculated as follows:

	30 June 2007	30 June 2006
Profit attributable to equity holders of the Parent	41,050	19,272
Weighted average number of ordinary shares in issue	53,217,760	25,161,907
Weighted average number of ordinary shares for the purposes of diluted earnings per share	53,478,663	25,289,327
Basic earnings per share for profit from continuing operations (expressed in USD per share)	**0.77**	**0.77**
Diluted earnings per share for profit from continuing operations (expressed in USD per share)	**0.77**	**0.76**

25 REVENUE

	Six months ended 30 June 2007	Six months ended 30 June 206
Revenue from sale of goods	2,335,714	891,341
Revenue from franchise services	6,827	6,131
Revenue from other services	5,060	1,311
	2,347,601	**898,783**

26 EXPENSES BY NATURE

	Six months ended 30 June 2007	Six months ended 30 June 206
Cost of product	1,699,238	652,026
Staff costs (Note 29)	247,235	93,974
Operating lease expenses	87,122	34,586
Other store costs	40,400	17,352
Depreciation and amortisation	75,185	22,146
Utilities	31,164	11,760
Other	61,790	31,776
	2,242,134	**863,620**

Operating lease expenses include USD 78,421(six months ended 30 June 2006: USD 34,175) of minimum lease payments and contingent rents of USD 8,701 (six months ended 30 June 2006: USD 411).

Provision for impairment of trade and other receivables amounted to USD 70 during the six months ended 30 June 2007 (six months ended 30 June 2006: USD 3,396).

27 OPERATING LEASE INCOME

The Group leases part of its store spaces to companies selling supplementary goods and services to customers. The lease arrangements are operating leases, the majority of which are short-term. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	30 June 2007	30 June 2006
Not later than 1 year	31,542	10,227
Later than 1 year and no later than 5 years	18,820	1,125
Later than 5 years	4,908	69
	55,270	**11,421**

The rental income from operating leases recognised in the income statement amounted to USD 27,214 (30 June 2006: 12,844 USD). There were no contingent rents recognised in the income statement in the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

28 FINANCE INCOME AND COSTS

	Six months ended 30 June 2007	Six months ended 30 June 206
Interest expense	60,593	16,025
Interest income	(6,407)	(192)
Fair value loss on foreign exchange collar	(2,667)	-
Fair value gain on interest rate swap	2,374	-
Fair value loss on equity swap	128	-
	54,021	**15,833**

29 STAFF COSTS

	Six months ended 30 June 2007	Six months ended 30 June 2006
Wages and salaries	203,527	78,218
Social security costs	22,008	11,903
Share-based payments expense	21,700	3,853
	247,235	**93,974**

Key executive management personnel

Key management personnel and members of the Supervisory Board of the Company receive compensation in the form of short-term employee benefits and share-based payments (Note 30). At 30 June 2007 key management personnel of the Group include 11 members (31 December 2006: 15). For the six months ended 30 June 2007 key management personnel and members of the Supervisory Board of the Company were entitled to total short-term compensation of USD 4,688 (six months ended 30 June 2006: USD 4,622), including bonuses of USD 2,375 (six months ended 30 June 2006: USD 3,604) and share-based payments of USD 18,628 (six months ended 30 June 2006: nil). The compensation is made up of an annual remuneration and a performance bonus depending on operating results.

30 SHARE-BASED PAYMENTS

In February and June 2007 the Group paid the cancellation fees related to the employee stock option program acquired in May 2006 with the acquisition of Pyaterochka Holding N.V. (Note 8). The amount of the cancellation fees outstanding at 30 June 2007 totalled to USD 6,163 (31 December 2006: USD 69,990) and will be paid out within a year of the balance sheet date.

In March 2007 the Group announced a new employee stock option program for its key executives and employees. The total number of share options is capped at 10,824,008 GDRs. Each option carries the right to one GDR. The program will run in four tranches that will be issued over the period to 18 May 2010.

The first and second tranches were approved for granting at 15 June 2007. The first tranche vests immediately and covers the period of service of option holders from 1 January 2007 to 15 June 2007. The second tranche will vest on 18 May 2008. The exercise price of the first grant is USD 18.00 per GDR. The exercise price of the second option tranche equals to USD 30.53 per GDR. Participants of the ESOP can exercise the share option at any time over the period from vesting till 18 May 2010.

30 SHARE-BASED PAYMENTS (continued)

In total, during the six months ended 30 June 2007 the Group recognised expenses related to the ESOP in the amount of USD 21,700 (six months ended 30 June 2006: USD 3,853). At 30 June 2007 the share-based payments liability amounted to USD 27,863 (31 December 2006: USD 69,990).

Details of the share options outstanding during the six month period ended 30 June 2007 are as follows:

	Number of share options	**Weighted average exercise price, USD**
Outstanding at the beginning of the period	-	-
Granted during the period	4,238,003	26.4
Cancelled during the year	-	-
Outstanding at the end of the period	**4,238,003**	**26.4**
Exercisable at 30 June 2007	1,395,000	

The fair value of services received in return for the share options granted to employees is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on Black-Scholes model. Expected volatility is determined by calculating the historical volatility of the Group's share price over the period since May 2006. Management assumes that holders will exercise the options on the last possible date, i.e. one year from the date of vesting, due to behavioral considerations. Other key inputs to the calculation of ESOP liability at 30 June 2007 were as follows:

GDR price at 30 June 2007	USD 29.3
Expected volatility	30%
Risk-free interest rate	5.68%
Dividend yield	0%

31 INCOME TAX

	Six months ended 30 June 2007	**Six months ended 30 June 2006**
Current income tax charge	46,963	17,296
Deferred income tax charge / (benefit)	4,716	(3,181)
Income tax charge for the period	**51,679**	**14,115**

The theoretical and effective tax rates are reconciled as follows:

	Six months ended 30 June 2007	**Six months ended 30 June 2006**
Profit before taxation	92,729	33,387
Theoretical tax at the effective statutory rates *	22,255	8,014
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of income taxable at rates different from standard statutory rates	(3,143)	(4,506)
Inventory shrinkage expenses	14,132	2,029
Not recognized deferred tax asset on loss	3,796	-
Other non-deductible expenses	14,639	5,996
Provision for uncertain tax positions (Note 35)	-	2,582
Income tax charge for the period	**51,679**	**14,115**

* Profit before taxation on Russian operations is assessed based on the statutory rate of 24%, profit before taxation on Ukrainian operations is assessed based on the statutory rate of 25%.

31 INCOME TAX (continued)

Deferred income tax

Differences between financial reporting standards and taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities and their tax bases. The tax effect of the movement on these temporary differences is recorded at the rate of 24% for Russian operations and of 25% for Ukrainian operations.

Deferred tax assets and liabilities and the deferred tax charge in the income statement are attributable to the following items for the year ended 30 June 2007:

	31 December 2006	Credited to profit and loss	Deferred tax on business combinations (Note 8)	Recog-nised in equity for translation differences	30 June 2007
Tax effects of deductible temporary differences and tax loss carryforwards:					
Tax losses available for carry forward	-	-	-	-	-
Property, plant and equipment	7,675	2,295	-	177	10,147
Intangible assets	-	142	-	1	143
Accounts Receivable	5,775	8,729	193	209	14,906
Liability for share based expenses	16,284	(12,317)	-	198	4,165
Other	8,650	(5,760)	501	(156)	3,235
Gross deferred tax asset	**38,384**	**(6,911)**	**694**	**429**	**32,596**
Less offsetting with deferred tax liabilities	(19,758)	3,702	-	(356)	(16,412)
Recognised deferred tax asset	**18,626**	**(3,209)**	**694**	**73**	**16,184**
Tax effects of taxable temporary differences:					
Property, plant and equipment	(84,545)	(816)	(1,435)	(1,714)	(88,510)
Intangible assets	(112,817)	10,193	-	(1,794)	(104,418)
Accounts Receivable	-	(4,701)	-	(49)	(4,750)
Other	-	(2,481)	(447)	(12)	(2,940)
Gross deferred tax liability	**(197,362)**	**2,195**	**(1,882)**	**(3,569)**	**(200,618)**
Less offsetting with deferred tax assets	19,758	(3,702)	-	356	16,412
Recognised deferred tax liability	**(177,604)**	**(1,507)**	**(1,882)**	**(3,213)**	**(184,206)**

Temporary differences on unremitted earnings of certain subsidiaries amounted to USD 60,045 (31 December 2006: USD 162,573) for which the deferred tax liability was not recognised as such amounts are being reinvested for the foreseeable future.

The current portion of the deferred tax liability amounted to USD 16,379 (31 December 2006: USD 13,420), the current portion of the deferred tax asset amounted to USD 8,021 (31 December 2006: USD 17,467).

31 INCOME TAX (continued)

Deferred tax assets and liabilities and the deferred tax charge in the income statement are attributable to the following items for the six months ended 30 June 2006:

	31 December 2005	Charged to profit and loss	Deferred tax on business combinations	Deferred tax asset in disposed subsidiaries	Recog-nised in equity for translation differences	30 June 2006
Tax effects of deductible temporary differences and tax loss carryforwards:						
Tax losses available for carry forward	1,269	(1,320)	-	-	51	-
Property, plant and equipment	-	202	4,090	-	(22)	4,270
Accounts Receivable	3,001	1,917	1,170	-	128	6,216
Other	(1,131)	1,710	6,710	(76)	10	7,223
Gross deferred tax asset	**3,139**	**2,509**	**11,970**	**(76)**	**167**	**17,709**
Less offsetting with deferred tax liabilities	(3,139)	(1,532)	(10,337)	76	(240)	(15,172)
Recognised deferred tax asset	-	**977**	**1,633**	-	**(73)**	**2,537**
Tax effects of taxable temporary differences:						
Property, plant and equipment	(14,764)	56	(46,648)	-	(774)	(62,130)
Intangible assets	(5,049)	617	(100,678)	-	(2)	(105,112)
Gross deferred tax liability	**(19,813)**	**672**	**(147,326)**	**-**	**(776)**	**(167,243)**
Less offsetting with deferred tax assets	3,139	1,532	10,337	(76)	240	15,172
Recognised deferred tax liability	**(16,674)**	**2,204**	**(136,989)**	**(76)**	**(536)**	**(152,071)**

32 SEASONALITY

The Group experiences seasonal effects on its business – increased customer activity in December results in an increase of sales made by the Group. The majority of expenses have the same trend as sales with the following exceptions:

- volume of repair and maintenance work increases in the May-September period as the ambient temperature is conducive to this activity. In addition, the lower level of customer activity enables the Group to minimize missed profits;

- utility expenses are normally higher during winter period due to increased electricity and heating service consumption.

33 FINANCIAL RISKS MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group recognises the critical importance of having efficient and effective risk management systems in place. The overall risk management program of the Group focuses on the unpredictability of financial markets. Therefore the objective of the Group's risk management is to minimise potential adverse effects of the most significant risk factors on the Group's financial position and results.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Supervisory Board. Group Treasury monitors and measures financial risks and undertake steps to limit its influence on the Group's performance. In this connection the Group uses certain derivative financial instruments to economically hedge financial risk exposures. These instruments are primarily intended to cap risks associated with the most significant foreign currency denominated long-term borrowings. All derivative transactions are undertaken, or maintained, with a view to managing the interest or currency associated with the financing of business activities.

(a) Market risk

Currency risk
The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The Group has a substantial amount of foreign currency denominated long-term borrowings, and is thus exposed to foreign exchange risk (Note 21). Therefore the Group Treasury's risk management policy is primarily to economically hedge anticipated cash outflows associated with borrowings in US dollar. The Group uses a foreign exchange collar with a leading banking institution to hedge foreign currency risks associated with syndicated loan for USD 800,000 raised in May 2006. As a result the foreign exchange collar is fixed at 32.4 and 23.85 RUR/USD. However management did not formally designate the foreign exchange collar as a hedging instrument and did not apply hedge accounting.

At 30 June 2007, if the Russian Rouble had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been USD 43,823 (30 June 2006: USD 29,489) lower/higher, mainly as a result of foreign exchange losses/gains on US dollar denominated borrowings.

Interest rates risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. It is the Group policy to manage cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group uses an interest rate swap with a leading banking institution to hedge the interest rate of syndicated loan facility for USD 800,000 raised in May 2006. As a result, LIBOR has been fixed at 5 per cent p.a. for the lifetime of the Syndicated loan (Note 21). However management did not formally designate the interest rate swap as hedging instruments and did not apply hedge accounting.

As a result of using interest rate swaps change in market interest rates with all other variables held constant would not significantly affect post-tax profit of the Group. At 30 June 2007, if LIBOR had increased/decreased by 5% with all other variables held constant, post-tax profit for the year would have been USD 86 (30 June 2006: USD 199) lower/higher.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The fair value of bonds traded on the MICEX is determined based on active market quotations and amounted to USD 239,141 at 30 June 2007 (31 December 2006: USD 237,221). The carrying value of these bonds amounted to USD 232,412 at 30 June 2007 (31 December 2006: USD 238,982) (Note 21).

In assessing the fair value of non-traded financial instruments the Group uses a variety of methods including estimated discounted value of future cash flows, and making assumptions that are based on market conditions existing at each balance sheet date.

33 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Financial assets, which are potentially subject to credit risk, consist principally of cash and cash equivalents held in banks, trade and other receivables. Due to the nature of its main activities (retail sales to individual customers) the Group has no significant concentration of credit risk. Cash is placed in financial institutions which are considered at the time of deposit to have minimal risk of default. The Group has policies in place to ensure that in case of credit sales of products and services to wholesales customers only those with an appropriate credit history are selected. 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. In accordance with the Group treasury policies and exposure management practices, counterparty credit exposure limits are continually monitored and no individual exposure is considered significant in the ordinary course of treasury management activity.

(c) Liquidity risk

The Group manages liquidity requirements by the use of both short- and long-term projections and by maintaining the availability of funding from an adequate amount of committed credit facilities.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities as at the balance sheet date:

Six months ended 30 June 2007

	During 1 year	In 1 to 3 years	In 3 to 5 years	After 5 years
Borrowings	1,468,385	1,859	-	-
Interest payments on borrowings	99,708	130	-	-
Derivative financial liabilities	76,239	-	-	-
	1,644,332	**1,989**	**-**	**-**

Six months ended 30 June 2006

	During 1 year	In 1 to 3 years	In 3 to 5 years	After 5 years
Borrowings	136,685	480,952	178,357	22,157
Interest payments on borrowings	70,784	129,689	65,377	2,304
Derivative financial liabilities	-	-	-	-
	207,469	**610,641**	**243,734**	**24,461**

At 30 June 2007 the Group has negative working capital of USD 1,469,398 (31 December 2006: USD 436,521) including short-term borrowings of USD 1,468,385 (31 December 2006: USD 218,013).

The Group plans to issue up to 25 billion RUR callable bonds in 3 tranches during 2007 – early 2008 to refinance the Group's existing debt and fund its store expansion.

The Group has an intention to restructure the current short-term bridge facility by extending its maturity.

Furthermore, at 30 June 2007 the Group had available credit lines with Alfa-Bank (Note 9) of USD 150,000 (31 December 2006: nil).

Management considers that the available credit lines and expected operating cash flows are sufficient to finance the Group's current operations.

34 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. The Group manages total equity attributable to equity holders recognized under IFRS requirements.

Capital management objectives are firstly met by refinancing existing debt and reducing debt servicing costs on the back of synergies of the Perekrestok and Pyaterochka mergers. Under the new syndicated loan facility placed in June 2007 will pay a margin of 0.75% over LIBOR, significantly lower than previous facilities.

Simultaneously, the Group maintains optimal capital structure by tracing certain capital requirements based on ratios. The ratios are maximum level of Debt/EBITDA, minimum level of EBITDA/Interest expense and minimum level of EBITDAR/Fixed costs. These ratios are included as covenants into new loan agreements (Note 21).

35 COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

At 30 June 2007, the Group operated 406 stores through rented premises (31 December 2006: 353). There are two types of fees in respect of operating leases payable by the Group: fixed and variable. For each store fixed rent payments are defined in the lease contracts and denominated in USD. The variable part of rent payments is predominantly denominated in RR and normally calculated as a percentage of turnover.

The future minimum lease payments under non-cancellable operating leases of property are as follows (net of VAT):

	30 June 2007	30 June 2006
During 1 year	120,410	63,450
In 2 to 5 years	309,376	210,555
Thereafter	135,020	113,369
	564,806	**387,374**

Capital expenditure commitments

At 30 June 2007 the Group contracted for capital expenditure of USD 98,236 (including VAT) (31 December 2006: USD 96,022).

Taxation environment

Russian tax, currency 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 regional and federal authorities. Recent events within the Russian Federation suggest that the 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 may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systematic 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 transfer pricing legislation introduced on 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from inter-company transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and operations of the entity.

Russian tax legislation does not provide definitive guidance in many 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 operations of the entity.

Management regularly reviews the Group's taxation compliance with applicable legislation, laws and decrees and current interpretations published by the authorities in the jurisdictions in which the Group has operations. Furthermore, management regularly assesses the potential financial exposure relating to tax contingencies for which the three years tax inspection right has expired but which, under certain circumstances, may be challenged by the regulatory bodies. From time to time potential exposures and contingencies are identified and at any point in time a number of open matters may exist. Management estimates that possible exposure in relation to profit tax and other non-profit tax risks that are more than remote, but for which no liability is required to be recognised under IFRS, could be several times the additional accrued liabilities and provisions reflected on the balance sheet at that date (and potentially in excess of the Group's profit before tax for the year). This estimation is based on IFRS requirement of possible tax risk disclosure and should not be considered as an estimate of the Group's future tax liability. At the same time management has recorded liabilities for income taxes and provisions for taxes other than income taxes in the amount of USD 55,773 at June 30, 2007 (31 December 2006: USD 55,773) in these consolidated financial statements as their best estimate of the Group's liability related to tax uncertainties as follows:

35 COMMITMENTS AND CONTINGENCIES (continued)

Balance at 1 January 2006	**8,000**
Increases due to acquisitions during the year recorded as part of the purchase price allocation (Note 8)	40,000
Additional liabilities recorded during the year	7,773
Reversals of prior year - accruals	-
Balance at 31 December 2006	**55,773**
Additional liabilities recorded during the period	**-**
Balance at 30 June 2007	**55,773**

36 SUBSEQUENT EVENTS

In July 2007 the Group issued Russian Rouble denominated bonds in the amount of RR 9,000 million (USD 350,173 at the time of issue). The bonds have a maturity of 7 years. Coupon income is paid twice a year. The bond holders have a right to redeem the bonds in July 2010. The interest rate during first three years is 7.6%. The interest rates on further coupon payments will be determined by management of the Group based on current market conditions and these interest rates will be announced in July 2010. The Group has declared its intention to repurchase the issued bonds in July 2010 at nominal value. The Group used the money raised from the issuance of the bonds to redeem the first and second tranches of rouble bonds of OOO “Pyaterochka Finance” with a total amount of 4.5 billion roubles and the first tranche of ZAO “TH “Perekrestok” rouble bonds with a total nominal value of RR 1,500 million. The rest of the money will be used for the further expansion of the Group.