



ANNUAL REPORT

For the year ended 31 March 2010

AURORA RUSSIA LIMITED

ANNUAL REPORT

For the year ended 31 March 2010

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AURORA RUSSIA LIMITED

Company Summary

The Company	Aurora Russia Limited ('the Company') is a Guernsey registered closed-ended investment company and its shares are listed on the Alternative Investments Market of the London Stock Exchange ('AIM'). It was incorporated on 22 February 2006 and dealings commenced on AIM on 20 March 2006.
Investment strategy	The Company's strategy is to make equity or equity-related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors, where the Directors believe there is potential for growth together with viable exit opportunities.
The Manager	The Company has appointed Aurora Investment Advisors Limited ('The Manager') to provide investment advisory and management services. The Manager is responsible for identifying and developing investment opportunities for the Company.
Registered address	Trafalgar Court Admiral Park St Peter Port Guernsey GY1 2JA
Website details	www.aurorarussia.com
Company registration no	44388

AURORA RUSSIA LIMITED

Chairman's Statement

Introduction

I am pleased to present to you the audited results of Aurora Russia Limited (the "Company" or "Aurora") for the year ending 31 March 2010. Last year I said that the previous twelve months had been a challenging time for companies in Russia. Uncertainty continued into 2010 and many of the markets served by our investee companies continued to be depressed. Against this background our companies have continued to adapt, have reduced costs and ensured that investment plans are appropriate whilst maintaining their market position. There are now signs that the Russian economy is poised to bounce back after a record low in 2009, and the World Bank projects that the economy will grow by 4.5% in 2010.

Aurora Russia's portfolio companies were not however able to escape the economic difficulties in 2009. Unistream, our money transfer business saw reduced volumes as the construction sector slowed and fewer migrant workers were employed. That trend now seems behind us. Kreditmart and Flexinvest Bank were affected by the almost complete lack of mortgage demand and responded by reducing costs and offering a more diverse product range which went some way to mitigating the effect of the sharp contraction in the mortgage market in Russia. Recent trends have resumed an upward trajectory and whilst this is from a low base, it augurs well for a recovery in 2010/11. Superstroy delayed its expansion programme in order to maintain a strong balance sheet and focus on profitability. However, it has now begun to grow again, with three new stores opened in May 2010, and OSG maintained its progress and showed its resilience to the economic downturn by growing revenues c. 30% in local currency terms in its largest markets.

I believe our portfolio companies have responded well to the financial crisis, and by concentrating on conserving cash and strengthening their operations, they are well positioned and well capitalised to benefit from the gradual improvement in economic activity.

Results

For the 12 months to 31 March 2010, Aurora Russia and its subsidiaries (the "Group") recorded a profit of £0.66 million or 0.80p per share, calculated on the weighted average number of shares and based on the audited consolidated statement of comprehensive income. The net asset value of the Company as at 31st March 2010 was £98.99 million or 88.0p per share. Cash and cash equivalents of the Company at 31 March 2010 were £5.70 million.

Administration and operating expenses of £10.07 million include Company costs of £3.34 million, of which £1.68 million relates to the Manager's fee. Operating costs of the Company's wholly owned subsidiaries were £6.73 million.

Placing and Acquisition of controlling position in OSG

During the year the opportunity arose to acquire an additional 45.5% of OSG at a price that the Manager felt was attractive and below the present carrying value. Your Board considered this to be an attractive opportunity for Aurora Russia Limited to buy outright control of OSG and to invest additional funds in the company to finance its continued strong growth. The purchase of the additional shareholding in OSG was accomplished with funds raised by placing 37.5 million new Aurora Russia Limited shares at 40 pence per share raising £15 million which comprised £7 million in cash and £8 million in consideration shares for the vendors of the OSG shares.

Following the Placing, the shareholders have now invested a total of £90 million into the Company. The Board announced at the time of the Placing that it is its intention to return up to £105 million over time to shareholders from the proceeds of the sale of the Company's investments, leaving the balance to reinvest in other opportunities in Russia. In order to achieve this return of cash, following receipt of cash from a disposal of any of its portfolio companies, it intends to return to shareholders an amount up to the lower of the total sale proceeds of the portfolio company and a maximum of 1.5 times of the total amount invested in that portfolio company plus the pro-rata allocation of costs of the Company to date; these are determined according to a formula as outlined in the Placing announcement.

It was also decided by the Board that due to the Placing, the Manager's Option Deed should be revised so as to keep the Manager suitably incentivised. The Option Deed provides for further option shares to be issued upon the issue of new shares by the Company, with the exercise price for such further option shares being equal to the placing price of such new shares i.e. 40 pence in the case of the Placing. The Board agreed with the Manager to amend the Option Deed so that the condition of exercise be changed to take into consideration the new ordinary shares issued at the Placing. Previous to this amendment, the Manager was able to exercise the option shares in the event that the shareholders received a total shareholder return per share of 12% per annum based on the original IPO price of £1.00 per share from the date of the IPO. The revised condition allows the Manager to exercise the option shares should the shareholders receive a total shareholder return per share of 12% per annum based on the weighted average price per share which at the time of the Placing would have needed to be 115 pence per share rather than 153 pence per share as was previously the case.

AURORA RUSSIA LIMITED

Chairman's Statement (continued)

Investment review

Following the additional investment in OSG, Aurora Russia has invested £73.9 million into five companies and has uncommitted funds of £5.70 million remaining in the Company to allow for small follow-on investments in its investee companies, specifically OSG, and to cover its ongoing expenses.

Aurora Russia has five investments:

- 26% of Unistream Bank, a leading Russian money transfer company
- 100% of Kreditmart, a finance company distributing mortgages, equity release loans and other consumer finance products
- 100% of Fleixinvest Bank which provides retail banking services
- 95.5% of OSG, a regional market leader in records management; and
- 24.3% of SuperStroy, one of the leading DIY retailers in Russia

In all of our investee companies the local management and staff have remained loyal and committed through this difficult period and I would like to thank them for their hard work and dedication.

Portfolio Valuation

A valuation of the investment portfolio was performed at 31 March 2010, resulting in an increase in value from £74.80 million to £ 92.20 million. Adjusted for our recent investment in OSG, portfolio book value grew 5.8%¹. This valuation, recommended by the Valuation Committee of the Board was prepared by an independent professional valuation firm and was formally adopted by the Board on 17 June 2010. These valuations are prepared for accounting purposes only and comply with International Private Equity and Venture Capital Association ("IPEVCA") guidelines. The resultant valuations of investments included in the Company's financial statements will not necessarily reflect the market value that a third party would be prepared to pay for these businesses.

The current valuation of Aurora's shareholdings reflects changes to the previous year valuation performed for March 2009 as follows:

- the value of our 26% stake in Unistream Bank has decreased by £0.6 million to £24.4 million, a decrease of 2.4%;
- the value of Kreditmart and Flexinvest Bank has decreased by £0.8 million to £22.2 million, a decrease of 3.5%;
- the value of 100% of OSG's equity has increased by £2.3 million to £29.4 million, an increase of 8.2% resulting in £28.1 million valuation for our 95.5% stake; and
- the value of our 24.3% shareholding in SuperStroy has increased by £4.3 million to £17.5 million, an increase of 32.6%.

Outlook

Three out of five of our companies are considered to be leaders in their respective markets and we are satisfied that each of them has done what was necessary to maintain this position through the crisis and set a platform to achieve their growth aspirations as and when the Russian market recovers. Economists and analysts have varying views on the strength of the Russian revival but all seem to believe that the country has come through the worst and is now in a good position to grow again over the foreseeable future and to continue to develop as a market economy with an improving international reputation.

Dan Collinson Koch

Chairman of the Board
Aurora Russia Limited

28 June 2010

¹ 31 March 2009 valuation recalculated as if Aurora Russia had owned 95.5% of OSG as at 31 March 2009

AURORA RUSSIA LIMITED

Investment Manager's Report

Overview

In the twelve months to 31 March 2010 we experienced continued uncertainty as to when the Russian economy would begin to grow again. It appears that we have now reached that point. The economy in Russia began to grow again at the end of 2009 and according to Rosstat, grew c. 2.9% in Q1 2010 compared with the Q1 2009. The World Bank has recently forecast Russian GDP growth of 4.5% for 2010.

In January 2010, Aurora Russia Limited (the "Company" or "Aurora Russia") completed a £15 million placing at 40 pence per share to raise funds to purchase an additional 45.5% in OSG and to provide OSG with £3.2 million of investment capital of which £0.6 million has been drawn down so far. We believe that the acquisition of OSG was strategically a great opportunity for Aurora Russia and we are delighted to see that OSG is performing in line with our expectations.

Aurora has now invested £73.9¹ million in five portfolio companies. The companies are valued at 31 March 2009 at £92.2 million, representing an increase over investment cost of 24.76%. Aurora now owns 26% of Unistream Bank, 100% of Kreditmart, 100% of Flexinvest Bank, 24.3% of SuperStroy's holding company, and 95.5% of OSG Records Management. Three of our five investments maintain their leadership position in their respective markets.

Before investing in any company, we believe it is vital to have a clear exit strategy. Russia remains the largest underserved consumer market in Europe and our portfolio companies are poised for exit, some as market leaders in their sector. Whilst there has been understandable pressure from shareholders to show that our investments are saleable and that the Manager is capable of realising a return on funds invested, the Manager did not believe it was in the shareholders' interests to dispose of investments in a declining market. Now that the Russian market is growing again, we expect to see the return of trade and financial investors in Russian companies as they seek returns above those they can achieve in their traditional markets. We therefore anticipate that as this trend develops we will have more opportunity to exit our investments favourably, thereby maximising returns for all Aurora Russia's shareholders.

OSG Records Management

Following the Placing in January we increased our stake in the company to 95.5%. The remaining shares are allocated to OSG's management under an ESOP. From the £3.2 million earmarked for further investment in OSG we have now invested £0.6 million which is being used as a down payment on lease financing for racking for its facilities in Moscow and Saint-Petersburg. The remainder is still available to secure OSG's future storage requirements. The Company had envisaged this would be accomplished either through the purchase of a warehouse facility or through a long term lease contract. It has proved to be more difficult to negotiate the purchase of a Class A property than management originally anticipated. OSG's management has looked at a number of warehouses and conducted a detailed feasibility study followed by negotiations on two potentially interesting properties. In one case, the negotiations are ongoing. In the event that the purchase of a suitable facility is not achievable Management continue to examine alternative ways of securing OSG's strategic storage requirements.

¹ Assuming share payment for the recent OSG's transaction at 36 pence per share (ARL share price on the day of transaction).

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Investment Manager's Report (continued)

OSG Records Management (continued)

OSG continued its expansion in Russia and as of Q1 2010 operated in 20 cities (up from 13 in 2009) while its closest competitor is present only in five cities. The company recently changed its year end to coincide with that of Aurora Russia as its accounts will now be consolidated and its reporting currency changed from US Dollars to Pounds Sterling. For the year ending 31 December 2009, the company's revenues in its main markets of Russia and Poland grew 30% and 27% year-on-year respectively measured in local currency terms. However, due to exchange rate differences, revenue remained by and large flat at £11.4 million¹ with EBITDA growing to £1.7 million¹ for the year ended 31 December 2009. For Q1 2010, OSG reported revenues of £3.0 million² compared to £2.7 million¹ as of the same period in 2009. For the same period, EBITDA was £0.4 million² up c.90% year-on-year.

The equity valuation of 100% of OSG at 31 March 2010 was £29.4 million, an increase of 8.2% on the equity valuation as at 31 March 2009 of £27.2 million, with the value of Aurora Russia's 95.5% stake at £28.1 million. This valuation also represents an increase of 32% on the equity valuation for the recent acquisition of OSG.

Unistream Bank

Unistream continued to face a difficult economic environment as year-on-year growth in the construction sector, which employs many migrant workers, remained negative in Q1 2010.

According to the Central Bank of Russia ("CBR") the volume of Russia outbound transfers in Q1 2010 started to grow for the first quarter since the crisis. Adjusted for the difference in RUR/USD average rates, Q1 2010 volume grew c.12% year-on-year following a year when, according to the same source, the Russia outbound remittances market was down c.27% in USD terms.

Based on Q1 2010 statistics published by the CBR, Unistream had c.21% of the outbound Money Transfer ("MT") market compared to c.24% it had in Q4 2009. Unistream carefully monitors its market share in each large MT corridor as one of the most important KPIs for the business. Management attributes half of the loss of market share since last year to the delay in its annual advertising campaign due to the scheduled launch of a new front-end operating system. Seasonal migrants tend to have high rotation and therefore advertising is a very important channel to capture new clients. The intensified competition in the market also caused a similar loss of market share. Management's response to a competitive threat is based on a combination of pricing actions and the introduction of innovative MT products. In January 2010 Unistream signed an agreement with a payment terminal company to offer its MT product through its c. 85,000 payment terminals located throughout Russia. Initially, the service is available for a limited number of destinations but will soon include all Unistream's pay-out network. Unistream has begun offering mobile payment services in conjunction with one of Russia's largest mobile phone networks.

Unistream's revenue for the year ending 31 December 2009 was £51.9 million¹ down from £55.1¹ million the previous year with EBITDA of £1.3million¹ down from £2.9 million¹. At the end of 2009 management rationalized Unistream's proprietary distribution by shutting down 88 under-performing cash desks. Despite these closures, volume in Unistream's cash desks held up well and grew 4% year-on-year in Q1 2010. However, total revenue which includes revenue from Unistream's own cash desks and its agent network in Q1 2010 showed a 7% decline year-on-year to £9.2 million¹. Q1 each year is a very slow quarter in the MT market and Unistream has always had negative EBITDA in this quarter. However, although still negative at -£0.5 million¹ EBITDA was better by £0.8 million versus -£1.3 million¹ in Q1 2009.

¹ Translated at March 31 2010 spot rate of 1.51 USD/GBP or 44.2 RUR/GBP

² Translated at the average rate for P&L and end of period rate for Balance Sheet

Investment Manager's Report (continued)

Unistream Bank (continued)

The equity valuation of Unistream at 31 March 2010 was £93.85 million, a decrease of 2.4% on the valuation at 31 March 2009 of £96.15 million, with the value of Aurora's stake at £24.4 million.

Kreditmart

Kreditmart, a wholly owned subsidiary of Aurora Russia, distributes mortgages, equity release loans, insurance, consumer and car loans, and pension funds.

The volume of new mortgages written by all banks in 2009 has contracted by 77%, compared to the prior year, to RUR 152.5 billion according to Expert RA. The market showed the first signs of growth at the end of 2009 and according to some industry experts the amount of mortgage lending is expected to double to RUR 210-230 billion in 2010 with Q1 2010 volumes meeting these expectations.

During 2009, Kreditmart adapted to market conditions by shifting its focus to insurance and consumer loans while downsizing to reduce costs. The crisis, however, had a severe impact on Kreditmart's original growth plans for 2009 and although broker revenue fell by only 21% year-on-year to £0.3 million², it was several times below what was projected in the original business plan. Kreditmart resumed its focus on mortgages from March 2010 as developers began to unfreeze their projects as the market began the first stages of recovery. For Q1 2010, Kreditmart reported revenues of c. £0.1 million² which, although small in absolute terms, corresponds to 100% year-on-year growth.

While there are signs of growth in mortgage lending, the market continues to prove challenging for the broker model as the number of active mortgage lenders remains small with large state banks controlling 60-70% of the market.

As previous experience has demonstrated, transparent distribution platforms in the financial services sector have value for strategic buyers seeking an entry point into Russia's underserved financial services market. Russia's mortgage market remains an attractive sector driven by pent-up housing demand and the growth of the middle class. With mortgage penetration still less than 3% of GDP and total consumer debt at c.10% of GDP, Russia represents one of the most attractive growth markets in Europe for mortgages. With much of the mortgage market void of significant competition, Kreditmart should be well-positioned to capture market share and scale its business through B2B distribution channels.

Kreditmart is valued together with Flexinvest Bank as both businesses continue to share common infrastructure. Flexinvest Bank and Kreditmart have been valued based on the adjusted net asset approach and Kreditmart's broker operations as at 31 March 2010 contribute c. £0.6 million to the total valuation of the combined business.

Flexinvest Bank

When Flexinvest Bank was acquired by Aurora in May 2008, it was with a view that it would become a mortgage bank, booking mortgages originated through Kreditmart and other brokers. During the crisis year of 2009 this strategy was adjusted with a focus on preserving liquidity and the origination of short-term, high yield consumer loans.

The investor market in mortgages has dried up but the appetite for mortgages amongst banks in Russia is on the rise as many banks suffer from having excess liquidity and are keen to find low risk banking assets yielding a reasonable return. This in turn has allowed Flexinvest Bank to return to its original mortgage based strategy.

Therefore, Flexinvest Bank has begun to originate mortgages on a limited scale for on-sale to its partner banks with a view to building refinancing relationships, mortgages, short-term consumer loans as well as offering a range of deposit and banking products including deposit boxes, currency exchange and money transfer.

¹ Translated at March 31 2010 spot rate of 1.51 USD/GBP or 44.2 RUR/GBP

² Translated at the average rate for P&L and end of period rate for Balance Sheet

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Investment Manager's Report (continued)

Flexinvest Bank (continued)

As at 31 March 2010, both Kreditmart and Flexinvest had £20.5 million² in assets. Net assets stood at £19.7 million² 8% down from £21.4 million as at 31 March 2009. Principal assets as at 31 March 2010 include a mortgage book net of provision of approximately £8.6 million² yielding 11.7% p.a., gross cash of £5.5 million and investments in highly liquid fixed income securities of £1.2 million.

The Manager remains confident that Flexinvest Bank will have opportunities to grow its assets and will continue benefiting from synergies with Kreditmart.

The equity valuation of the combined Kreditmart/Flexinvest Bank business at 31 March 2010 was £22.2 million down 3.5% on the valuation at 31 March 2009 of £23.0 million.

SuperStroy

RosBusinessConsulting ("RBC") estimates that the overall DIY market across Russia was down by 26-28% in USD terms or 6-9% in RUR in 2009. SuperStroy showed a 14% decline in RUR revenue which is broadly in line with management's estimates for the market decline in the Urals where it is the market leader.

After 49% growth in revenues in 2008, and a year in which the company opened 13 new stores, the management and the board decided that 2009 would be a year of conserving cash and reducing the company's £14.2 million¹ of net debt. Therefore, in the year ending 31 December 2009, the company opened no new stores, reduced its net debt to £7.7 million¹ and increased its adjusted EBITDA from a negative -£1.1million¹ to a positive £3.5 million¹. However, the company's revenues declined by 14% to £132.4 million¹ with most of the decline due to its wholesale operations while retail sales were down by only 8%.

For Q1 2010 Superstroy reported revenues of £28.0 million¹ compared to £30.1 million¹ as of the same period in 2009 and EBITDA of -£0.9 million¹ in line with last year's figure. It should be mentioned that EBITDA for Q1 2010 was impacted by pre-opening costs as the company started preparing for new store openings.

In May 2010, the company opened its first stores since the financial crisis; two large stores in Ufa and Kamenets-Uralsky and a small store in Snezhinsk. Initial sales results from these stores have exceeded management's expectations.

Despite the difficult situation in the Urals, Superstroy continues to build its reputation as a market leader and western style retailer with its large format store in Ufa recently selected as the best DIY hypermarket in Russia by a panel of 50 industry experts³. The short list included six other stores: two Castorama stores and one store each of Leroy Merlin, K-Rauta, StroyDepo and Maxidom.

The equity valuation of Superstroy at 31 March 2010 was £72.02 million up 32.58% on the valuation at 31 March 2009 of £54.32 million, with the value of Aurora's stake at £17.5 million.

Conclusion

Despite the challenges of the global financial crisis, the value of the portfolio grew by 5.8%⁴ during the year. The Manager remains positive about the growth prospects for the services sector in Russia. While the Russian economy has historically been dependent on the price of commodities, the economy is becoming more diversified. The services sector should benefit from the continued diversification away from commodities and grow at a faster rate.

We remain very positive about all of Aurora Russia's investments and we believe that all five are positioned to benefit from the growth of the services sector and to gain market share. We are also confident that as the appetite for Russian assets continues to improve we will be a good position to exit our investments favourably.

Aurora Investment Advisors Limited

¹ Translated at March 31 2010 spot rate of 1.51 USD/GBP or 44.2 RUR/GBP

² Translated at the average rate for P&L and end of period rate for Balance Sheet

³ The announcement was made at the Russian DIY sector conference held in Moscow in May 2010

⁴ 31 March 2009 valuation recalculated as if Aurora had owned 95.5% of OSG as at 31 March 2009

AURORA RUSSIA LIMITED

Directors

Dan Collinson Koch - Non-executive Chairman

Mr Koch retired as Chairman of Deloitte & Touche CIS (Deloitte, the Firm) in May 2009. He lived and worked in Russia for 11 years having been CEO and Managing Partner and latterly Chairman of Deloitte during that period. Under Mr Koch's leadership Deloitte in Russia and the CIS experienced unprecedented success, growing from a small predominantly audit practice with approximately 150 professionals into a full service, multi functional, multi office practice with approximately 3,000 professionals.

Mr Koch has over 30 years of public accounting and international executive experience having been based in Canada prior to his Russian experience. In Russia Mr Koch had direct overall responsibility for the Firm's major clients including Norilsk Nickel, AFK Sistema and MTS.

Grant Cameron - Non-executive Director

Mr Cameron is Managing Director of Investec Asset Management Guernsey Limited. He is a member of the South African Institute of Chartered Accountants and the Financial Planners Association of South Africa. In 1988 Mr Cameron joined KPMG South Africa and was transferred in 1991 to KPMG's Miami office, where he held the position of Manager of Financial Services. Mr Cameron moved to Investec Group in 1996 and was Operations Director of Investec Fund Managers SA Limited from January 1996 until February 2001. Mr Cameron acts as a Director of a number of investment funds, and was previously chairman of the Guernsey Investment Funds Association. He graduated with a B.Comm in 1987 and a B.Acc in 1989 from the University of Witwatersrand.

James Cook - Non-executive Director

Mr Cook is a Director and joint founder of Aurora Russia Limited. He is also a Partner and owner of Aurora Investment Advisors Limited which manages Aurora Russia Limited. In addition, James has non-executive Directorships at ZAO Forus Bank and ICICI Bank in Russia. He has over 17 years experience in advising, founding and managing companies in Russia's consumer finance, residential mortgage lending and leasing sectors. James was one of Russia's pioneers in consumer finance in Russia and is credited with being the Father of Mortgage Lending in Russia. Prior to setting up Aurora Russia, James served as Chairman and CEO of GE Money Bank in Russia. Before moving to GE, James was Executive Vice President of Delta Capital where he worked from 1996 to 2004. Whilst at Delta Capital, James served as Chairman of the Delta Financial Services Group. He was the founder, Chairman and CEO of ZAO DeltaCredit, Russia's first mortgage bank and was co-founder and Chairman of ZAO DeltaLeasing (now known as Europlan), a major provider of equipment and automobile fleet leasing in Russia. In addition, he served as Chairman and CEO of ZAO DeltaBank which he built into a major provider of VISA credit cards in Russia and which was later sold to GE and renamed GE Money Bank. James was a Merit Scholar at Hampden-Sydney College and holds a B.S. in Finance from Virginia Tech.

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Directors (continued)

John McRoberts - Non-executive Director

Mr McRoberts is one of the founders of Aurora Russia Limited. John is a Director of Aurora Russia Limited and a partner and owner of Aurora Investment Advisors Limited which manages Aurora Russia Limited. John has been working in Russia for over 14 years. Prior to setting up Aurora Russia, he worked as a corporate financier completing numerous transactions including the sale of Darial TV to Modern Times Group, the first acquisition of a Russian TV channel by a foreign strategic buyer, the sale of an outdoor advertising company to News Corporation and the sale of two property companies to Raven Russia, the AIM listed property company focusing on Russian commercial real estate. John first began working in Russia in 1996 with a petrochemical and petroleum product trading company advising on upstream acquisitions to secure the source of supply of their traded products. In 1998, John set up Altium Capital's corporate finance business (formerly Apax Partners & Co. Corporate Finance) in Russia and ran the business until 2003. In December 2003, John accepted the position to set up and lead the Corporate Finance Advisory business of Deloitte & Touche in Moscow. John left Deloitte to set up Aurora Russia. John holds an MBA in Finance from the American Graduate School of International Management in Arizona and a BSC in Finance from Arizona State University.

Ben Morgan - Non-executive Director

Mr Morgan is a partner with Carey Olsen in Guernsey in the Corporate Group. He qualified as a solicitor in 1992 and practised with the City law firm Norton Rose, during which time he spent time in Russia, before joining Carey Olsen in 1999. Mr Morgan is a Director of a number of Guernsey investment funds.

John Whittle - Non-executive Director

Mr Whittle is a Chartered Accountant. After qualifying in 1978 he joined Price Waterhouse in London before embarking on a career in business services, predominantly telecoms. He co-led the business turnaround of Talkland International (now Vodafone Retail) and was directly responsible for the strategic shift into retail distribution and its subsequent implementation; he subsequently worked on the £20 million private equity acquisition of Ora Telecom. He has served on the boards of 3 listed companies. He was until recently Finance Director of Close Fund Services where he successfully initiated a restructuring of client financial reporting services and was a key member of the business transition team.

Alexandr Dumnov - Non-executive Director

Mr Dumnov is a Russian national and has considerable experience working for and advising Russian companies. He also has strong experience serving on the boards of both UK and Russian companies. Most recently, Mr Dumnov was a member of the Board of Deloitte & Touche CIS from 1998 to 2007, after which he became a Non Executive Director of Trans-Siberian Gold plc, until 2009. He also served as a Non Executive Director of Siberian Mining and Metallurgical Alliance from 2003 until May 2010 and is presently a Non Executive Director of MDM Bank.

AURORA RUSSIA LIMITED

Directors' Report

The Directors of Aurora Russia Limited ('the Company') present their annual report and audited financial statements of the Company and its Group for the year ended 31 March 2010.

Background

The Company was incorporated in Guernsey on 22 February 2006 and commenced activities on 20 March 2006. The Company is a closed ended investment Company and is registered in Guernsey.

Principal activity

The principal activity of the Company is private equity investment in Russia in the financial, business and consumer services sectors with the objective of providing Ordinary Shareholders with an attractive level of capital growth from investing in a diversified private equity portfolio.

Listing

The Company is listed on the Alternative Investments Market of the London Stock Exchange ('AIM'), and has complied with the relevant provisions of the rules governing the admission to and operation of AIM.

Substantial shareholdings

The Company has been notified that the following shareholders had a beneficial interest of 3% or more of the Company's issued share capital as at 1 May 2010:

	Number of shares held	Percentage held
Standard Life Investments	16,866,762	14.99%
Mr Tim James Slesinger ESQ	15,560,977	13.83%
Scottish Widows	11,287,490	10.03%
Aurora Investment Advisors	7,310,000	6.50%
M&G Investment Management	5,750,000	5.11%
South Yorkshire Pension Authority	5,750,000	5.11%
Henderson Global Investors	3,849,202	3.42%
Metage Capital	3,607,254	3.21%
UBS Global Asset Management	3,373,994	3.00%

Business review

The Group's risk exposure, management objectives and policies are disclosed in note 29 to these financial statements.

A review of the business during the period is contained in the Chairman's Statement.

Details of significant events since the reporting date are contained in note 34 to the financial statements.

Results and dividends

The results for the period are set out in the attached financial statements.

The Company has not proposed or declared a dividend for the year ended 31 March 2010 (2009: £nil).

Incorporation

The Company was registered in Guernsey, Channel Islands on 22 February 2006 under the Companies (Guernsey) Laws 1994 to 1996 (as amended) (the "Old Law") with registered number 44388. The Old Law has now been superseded by the Companies (Guernsey) Law 2008 (the "New Law"). The Company has prepared these financial statements in compliance with the New Law.

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Directors' Report (continued)

Directors

The Directors during the year and to date were as follows:

	Date of Appointment	Date of resignation
Dan Koch - Chairman from 8 September 2008	11 August 2008	
Grant Cameron	24 February 2006	
James Cook	22 February 2006	
Christopher Cowan	9 February 2007	31 May 2009
John McRoberts	22 February 2006	
Ben Morgan	24 February 2006	
John Whittle	17 January 2008	
Alexandr Dumnov	17 June 2010	

Directors' and other interests

Directors who held office during the year had the following interests in the shares of the Company as at 1 May 2010:

	Number of ordinary shares
Dan Koch	600,000
James Cook	299,999
John McRoberts	299,999

The Directors have interests in the contracts with the Company as follows:

John McRoberts and James Cook are Directors of Aurora Investment Advisors Limited ('the Manager'). At year end John McRoberts and James Cook each owned 47.5% of the ordinary shares and 36.25% of the preference shares of the Manager.

The Company has granted an option to the Manager to subscribe for Ordinary Shares representing 20% of the issued share capital of the Company after the exercise of the option provided that certain performance criteria are met.

John McRoberts and James Cook are shareholders and Directors of Aurora Russia (Cyprus) Limited, which is Investment Advisor to the Manager.

Administration agreement: John Whittle was, until 31 May 2009, a Director of the administrator, Close Fund Services Limited.

Legal services: Ben Morgan is a partner with Carey Olsen in Guernsey which provides legal services to the Company.

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Directors' Report (continued)

Directors' remuneration

The Directors received the following emoluments during the year:

	Fees	Other compensation	Total	Annualised total
Dan Koch	95,000	-	95,000	95,000
Grant Cameron	20,000	-	20,000	20,000
James Cook	-	-	-	-
John McRoberts	-	-	-	-
Christopher Cowan	16,667	833	17,500	17,500
John Whittle	21,779	-	21,779	21,779
Ben Morgan	20,000	-	20,000	20,000
Total	£173,446	£833	£174,279	£174,279

Up until his resignation, Christopher Cowan received remuneration of £40,000 per annum as Director of the Company as well as provided consultancy services, both to the Manager and to the Company, for which he received a fee of £60,000 per annum plus a pro rata daily rate for any time in excess of 50 days per year. The Manager agreed to contribute a minimum of £50,000 to the Company in respect of the consultancy fees.

Dan Koch receives remuneration of £95,000 per annum.

Alexandr Dumnov, who was appointed on 17 June 2010, receives remuneration of £20,000. It was also resolved by the Remuneration Committee that John Whittle's remuneration would increase to £30,000 effective on the same date.

There are no service contracts in existence between the Company and any Director but each of the Directors was appointed by letter of appointment which sets out the main terms of his appointment.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditor

The Directors who held office at the date of this Directors' report confirm that, so far they are each aware, there is no relevant audit information of which the Group's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Going concern

Having made appropriate enquiries, the Directors have reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group and the Company financial statements.

AURORA RUSSIA LIMITED

Directors' Report (continued)

Corporate governance

The Directors' report on Corporate Governance is detailed on pages 16 to 17 of these financial statements. As a Company incorporated in Guernsey, the Company is not required to comply with the Combined Code on Corporate Governance. However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies. The Board believes that the Company has complied throughout the accounting period with the provisions set out in the Combined Code on Corporate Governance (the "Code") issued by the Financial Reporting Council subject to the statements made in the Corporate Governance report on pages 16 to 17.

Auditor

A resolution for the re-appointment of KPMG Channel Islands Limited will be proposed at the forthcoming annual general meeting.

By order of the Board,

John Whittle
Director

Ben Morgan
Director

28 June 2010

AURORA RUSSIA LIMITED

Corporate Governance

Combined Code

As a Company incorporated in Guernsey, there is no requirement for the Company to comply with the Combined Code on Corporate Governance. The Company has, however, adopted a policy to comply with best practice on good corporate governance that is applicable to investment companies. To the extent considered appropriate for an investment Company the Board believes that the Company has complied throughout the accounting period with the provisions set out in the Combined Code on Corporate Governance (the 'Code') issued by the Financial Reporting Council in June 2008 and of the recommendations and guidelines issued by the Association of Investment Companies Code of Corporate Governance ('AIC Code'), as described in the following paragraphs.

The Board and Board Committees

All the Directors of the Company are non-executive Directors. The Board does not feel it is appropriate to appoint a chief executive or senior independent Director as day to day management of the Company's assets is delegated to the Manager.

The Chairman is Dan Koch. The Directors consider that the Chairman is independent for the purposes of the Combined Code. The Board considers that, with the exception of James Cook and John McRoberts, the Directors are independent of the Manager.

The full Board meets at least four times a year to consider, as appropriate, such matters as overall strategy, investment performance, share price performance, the shareholder profile of the Company, communications with shareholders, transactional and other general matters affecting the Company. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

During the year the Audit Committee comprised Ben Morgan, Grant Cameron, Christopher Cowan (resigned on 31 May 2009) and John Whittle. The Committee is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. The Audit Committee reviews the annual and interim accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. It meets a minimum of three times a year but where appropriate the meetings shall coincide with key dates in the Company's financial reporting cycle. John Whittle was appointed as Chairman of the Audit Committee in place of Christopher Cowan. Alexandr Dumnov was appointed to the Audit Committee on 17 June 2010.

During the year the Valuation Committee comprised Christopher Cowan (resigned on 31 May 2009), Ben Morgan, John Whittle, Grant Cameron and Dan Koch. It is responsible for valuing proposed investments and revaluing investments on an ongoing basis. It meets at least twice a year. John Whittle was appointed as Chairman of the Valuation Committee in place of Christopher Cowan. Alexandr Dumnov was appointed to the Valuation Committee on 17 June 2010.

The Remuneration Committee comprises Ben Morgan, John Whittle and Dan Koch. It is responsible for reviewing the performance of Directors, the scale and structure of remuneration and Directors' letters of appointment. It meets a minimum of twice a year. During the period, it was resolved that Ben Morgan would Chair the Remuneration Committee in place of John Whittle.

The number of meetings of the full Board and those committees attended by each Director from 1 April 2009 up to the date of this report is set out below.

	Full Board		Audit Committee		Valuation Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dan Koch	9	7	N/A	N/A	4	3	3	3
John McRoberts	9	6	N/A	N/A	N/A	N/A	N/A	N/A
James Cook	9	7	N/A	N/A	N/A	N/A	N/A	N/A
Christopher Cowan	2	1	N/A	N/A	N/A	N/A	N/A	N/A
Ben Morgan	11	10	2	2	4	4	3	2
Grant Cameron	10	8	2	2	4	4	N/A	N/A
John Whittle	12	11	2	2	4	4	3	3

AURORA RUSSIA LIMITED

Corporate Governance (continued)

The Board receives information that it considers to be appropriate to enable it to discharge its duties. Directors usually receive board papers several days in advance of board meetings and are able to consider in detail any issues to be discussed at the relevant meeting.

All the Directors are entitled to have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors.

The Board has delegated day-to-day management of the Company's assets to the Manager. All decisions relating to the Company's investment policy, investment objectives, investment decisions, dividend policy, gearing, corporate governance procedures and strategy in general are, however, reserved to the Board. The Board evaluates the Manager's performance on an annual basis and monitors the Manager to ensure that the Company's assets are being managed in accordance with the guidelines set out by the Board.

Performance of Board and proposal for re-election

The performance of each Director will be appraised by the Remuneration Committee prior to the holding of the Annual General Meeting for each year. The performance of each Board committee will be appraised by the Board as a whole. In accordance with the Combined Code, each Director is standing for re-election at the Annual General Meeting in 2010. However, pursuant to the articles of association of the Company, following the Annual General Meeting in 2010, one third, or the number nearest to but not exceeding one third, of the Directors will retire and stand for re-election at the annual general meeting each year, provided that each Director shall retire and stand for re-election at intervals of no more than three years. Each Director is appointed subject to the provisions of the articles of association in relation to retirement as described above.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. The Board believes that each Director's performance continues to be effective and to demonstrate commitment to the role and therefore supports the re-election of the Chairman and each of the other Directors per the articles of association of the Company. Information on the Directors, including their relevant experience, is set out on pages 10 to 11.

Audit and internal controls

The Board reviewed the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls and risk management systems and has put in place procedures for the review of such controls on an annual basis. Risk is managed by the Directors rather than eliminated and can only provide reasonable assurance against material misstatement or loss.

The Audit Committee meets at least three times a year and considers reports from the independent auditors, the Manager and the administrator. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies, reviewing the effectiveness of the internal control systems and making recommendations to the Board regarding the appointment and independence of the external auditor and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any. Shareholders have the opportunity at each annual general meeting to vote on the election of the independent auditors for the forthcoming year.

In view of the small number of transactions to date the Company has not yet considered it necessary to establish an internal audit function. The Board considers that the systems and procedures put in place by the Manager and the administrator have been adequate to safeguard shareholders' interests. The Board reviews an internal controls and risks monitoring report both for the Company (annually) and for Kreditmart twice yearly. The Board will continue to keep this matter under review.

Relations with shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are indispensable measures in order to build trust with the Company's shareholders. In order to promote a clear understanding of the Company, its objectives and financial results the Board aims to ensure that information relating to the Company is disclosed in a timely manner and in a format suitable to the shareholders of the Company.

The Board has also encouraged the Manager to identify a sample of investors for periodic meetings to encourage communication and to ensure the concerns of shareholders are addressed.

The Articles of Incorporation state that a Continuation Vote via an Ordinary resolution will be held proposing the extension of the life of the Company, at the 2010 Annual General Meeting and every 5 years thereafter.

Independent auditor's report to the members of Aurora Russia Limited

We have audited the Group and Company financial statements (the "financial statements") of Aurora Russia Limited (the "Company") for the year ended 31 March 2010 which comprise the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity and the Consolidated and Company Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and Auditors

The Directors are responsible for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey Law as set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2010 and of Group's and Company's profit for the year then ended;
- are in conformity with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

KPMG Channel Islands Limited
Chartered Accountants
PO Box 20
20 New Street
St. Peter Port
Guernsey
GY1 4AN

29 June 2010

AURORA RUSSIA LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Revenue:		5,193	2,677
- Fees		323	394
- Storage		1,575	-
- Warehousing, transport, data processing and other		1,420	-
- Interest on long term mortgages and other loans		1,062	1,300
- Loan interest		321	281
- Bank interest		245	590
- Dividend income		247	112
Administration and operating expenses	4	(10,066)	(12,519)
Fair value movements on revaluation of investments	13	5,629	7,531
Fair value movements on derivatives	18	-	(525)
Impairment of goodwill	7	-	(236)
Exchange (losses)/gains		(8)	4,081
Operating income		748	1,009
Interest expense		(95)	(21)
Profit before income tax		653	988
Income tax expense	5	3	(562)
Profit for the year		656	426
Other comprehensive income			
Foreign currency translation differences for foreign operations		337	(805)
Total comprehensive income for the year		993	(379)
Profit attributable to:			
Owners of the Company	23	665	426
Non-controlling interest		(9)	-
Profit for the year		656	426
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1,012	(379)
Non-controlling interest		(19)	-
Total comprehensive income/(loss) for the year		993	(379)
Basic and diluted earnings per share	6	0.80p	0.57p

All items in the above statement derive from continuing operations.

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Company Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Revenue		659	665
- Loan interest		399	281
- Bank interest		13	272
- Dividend income		247	112
Administration and operating expenses	4	(3,341)	(3,331)
Fair value movements on revaluation of investments	13	7,656	(3,867)
Fair value movements on derivatives	18	-	(525)
Other exchange gains/(losses)		(146)	737
Operating income/(loss) before tax		4,828	(6,321)
Income tax expense	5	-	-
Profit and total comprehensive income/(loss) for the year	23	4,828	(6,321)
Basic and diluted profit/(loss) per share	6	5.78p	(8.43p)

All items in the above statement derive from continuing operations.

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Non-current assets			
Goodwill	7	14,164	-
Intangible assets	8	11,078	2,273
Property, plant and equipment	10	6,444	1,019
Investments - at fair value through profit and loss	13	43,085	51,833
Loans and advances to customers	14	8,618	9,569
Deferred tax assets	5	190	191
		<u>83,579</u>	<u>64,885</u>
Current assets			
Trade and other receivables	15	4,450	1,711
Cash and cash equivalents	16	13,242	12,022
Assets classified as held for sale	9	845	-
		<u>18,537</u>	<u>13,733</u>
Total assets		<u>102,116</u>	<u>78,618</u>
Non-current liabilities			
Finance leases	17	1,567	-
Deferred tax liability	5	1,699	-
		<u>3,266</u>	<u>-</u>
Current liabilities			
Finance leases	17	719	-
Derivative liabilities	18	-	46
Trade and other payables	19	4,602	742
		<u>5,321</u>	<u>788</u>
Total liabilities		<u>8,587</u>	<u>788</u>
Equity			
Share capital	20	1,125	750
Special reserve	21	84,073	70,750
Share options reserve	22	2,437	1,820
Retained earnings	23	5,857	5,320
Non-controlling interest		500	-
Translation reserve	24	(463)	(810)
Total equity		<u>93,529</u>	<u>77,830</u>
Total equity and liabilities		<u>102,116</u>	<u>78,618</u>
Net asset value per share - Basic and Diluted	25	<u>83.1p</u>	<u>103.8p</u>

The accounts on pages 19 to 57 were approved by the Board of Directors on 28 June 2010 and signed on its behalf by:

John Whittle
Director

Ben Morgan
Director

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Company Statement of Financial Position

As at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Non-current assets			
Investment in subsidiaries - at fair value through profit and loss	11	50,300	23,000
Investments - at fair value through profit and loss	13	41,900	51,800
		<u>92,200</u>	<u>74,800</u>
Current assets			
Trade and other receivables	15	1,171	1,112
Cash and cash equivalents	16	5,704	4,123
		<u>6,875</u>	<u>5,235</u>
Total assets		<u>99,075</u>	<u>80,035</u>
Current liabilities			
Derivative liabilities	18	-	46
Trade and other payables	19	89	129
Total liabilities		<u>89</u>	<u>175</u>
Equity			
Share capital	20	1,125	750
Special reserve	21	84,073	70,750
Share options reserve	22	2,420	1,820
Retained earnings	23	11,368	6,540
Total equity		<u>98,986</u>	<u>79,860</u>
Total equity and liabilities		<u>99,075</u>	<u>80,035</u>
Net asset value per share - Basic and Diluted	25	<u>88.0p</u>	<u>106.5p</u>

The accounts on pages 19 to 57 were approved by the Board of Directors on 28 June 2010 and signed on its behalf by:

John Whittle
Director

Ben Morgan
Director

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

Notes	Share Capital £'000	Special Reserve £'000	Share Options Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Total £'000	Non-controlling Interest £'000	Total £'000
For the year 1 April 2008 to 31 March 2009								
Balance at 1 April 2008	750	70,750	1,220	4,894	(5)	77,609	-	77,609
Total comprehensive income for the year								
Profit for the year	-	-	-	426	-	426	-	426
Other comprehensive income for the year								
Foreign currency translation loss	-	-	-	-	(805)	(805)	-	(805)
Transactions with owners, recorded directly in equity								
<i>Contributions and distributions to owners</i>								
Recognition of share-based payments	22	-	600	-	-	600	-	600
At 31 March 2009	750	70,750	1,820	5,320	(810)	77,830	-	77,830
For the year 1 April 2009 to 31 March 2010								
Balance as at 1 April 2009	750	70,750	1,820	5,320	(810)	77,830	-	77,830
Total comprehensive income for the year								
Profit for the year	-	-	-	665	-	665	(9)	656
Other comprehensive income for the year								
Foreign currency translation loss	-	-	-	-	347	347	(10)	337
Transactions with owners, recorded directly in equity								
<i>Contributions and distributions to owners</i>								
Issue of ordinary shares	20,21	375	13,825	-	-	14,200	-	14,200
Share issue costs on Placement Shares issued	21	-	(502)	-	-	(502)	-	(502)
Acquisition of subsidiary	12	-	-	-	-	-	390	390
Recognition of share-based payments	22	-	617	-	-	617	1	618
<i>Changes in ownership interests in subsidiaries that do not result in a loss of control</i>								
Acquisition of non-controlling interests in subsidiary	11,23	-	-	(128)	-	(128)	128	-
At 31 March 2010	1,125	84,073	2,437	5,857	(463)	93,029	500	93,529

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Company Statement of Changes in Equity

For the year ended 31 March 2010

	Notes	Share Capital £'000	Special Reserve £'000	Share Options Reserve £'000	Retained Earnings £'000	Total £'000
For the year 1 April 2008 to 31 March 2009						
Balance as at 1 April 2008		750	70,750	1,220	12,861	85,581
Total comprehensive loss for the year						
Loss for the year		-	-	-	(6,321)	(6,321)
Transactions with owners, recorded directly in equity						
<i>Contributions and distributions to owners</i>						
Recognition of share-based payments	22	-	-	600	-	600
At 31 March 2009		750	70,750	1,820	6,540	79,860
For the year 1 April 2009 to 31 March 2010						
Balance as at 1 April 2009		750	70,750	1,820	6,540	79,860
Total comprehensive profit for the year						
Profit for the year		-	-	-	4,828	4,828
Transactions with owners, recorded directly in equity						
<i>Contributions and distributions to owners</i>						
Issue of ordinary shares	20,21	375	13,825	-	-	14,200
Share issue costs on Placement Shares issued	21	-	(502)	-	-	(502)
Recognition of share-based payments	22	-	-	600	-	600
At 31 March 2010		1,125	84,073	2,420	11,368	98,986

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Cash flows from operating activities			
Profit before tax		653	988
Loan interest		(321)	(281)
Bank interest		(245)	(590)
Dividend income		(247)	(112)
		<u>(160)</u>	<u>5</u>
Adjustments for movements in working capital:			
Decrease/(increase) in operating trade and other receivables		(554)	53
Increase in operating trade and other payables		1,422	14
Adjust for:			
Revaluation of investments		(5,628)	(7,531)
Recognised share based payments	22	617	600
Fair value movements on revaluation of derivatives		-	525
Depreciation and amortisation		635	385
Impairment of goodwill		-	236
Loss on property, plant and equipment written off		61	-
Provision for loan losses		(370)	1,782
Allowance for doubtful debts		92	-
Other interest income		(1,061)	-
Interest paid		(83)	21
Taxation paid		(62)	(7)
Dividend income		247	112
Interest received		1,404	529
Exchange gains/(losses)		8	(4,081)
Loss on forex contract closed out		(46)	(519)
Loans advanced to customers		527	7,194
Net cash outflow from operating activities		<u>(2,951)</u>	<u>(682)</u>
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	12	(567)	(3,082)
Acquisition of investments	13	(1,098)	(15)
Acquisition of property, plant and equipment		(549)	(168)
Proceeds on sale of property, plant & equipment		-	38
Loans advanced to associated company		(307)	(356)
Decrease in deposits		200	(1,639)
Net cash outflow from investing activities		<u>(2,321)</u>	<u>(5,222)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		7,000	-
Issue costs	21	(502)	-
Financial lease payments - principal		(284)	-
Net cash inflow from financing activities		<u>6,214</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>942</u>	<u>(5,904)</u>
Opening cash and cash equivalents		12,022	17,806
Effect of exchange rate changes		278	120
Closing cash and cash equivalents	16	<u>13,242</u>	<u>12,022</u>

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Company Statement of Cash Flows

For the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Cash flows from operating activities			
Profit/(loss) before tax		4,828	(6,321)
Loan interest		(399)	(281)
Bank interest		(13)	(272)
Dividend income		(247)	(112)
		<u>4,169</u>	<u>(6,986)</u>
Adjustments for movements in working capital:			
Increase in operating trade and other receivables		(75)	(548)
(Decrease)/increase in operating trade and other payables		(39)	26
Adjust for:			
(Profit)/loss on revaluation of investments		(7,656)	3,867
Recognised share based payments	22	600	600
Fair value movements on revaluation of derivatives		-	525
Exchange losses/(gains)		146	(737)
Loss on forex contract closed out		(46)	(519)
Dividend income		247	112
Bank interest received		29	312
		<u>(2,625)</u>	<u>(3,348)</u>
Net cash outflow from operating activities			
Cash flows from investing activities			
Acquisition of investments		-	(15)
Acquisition of subsidiary		(1,985)	-
Loans advanced to associated company		(307)	(356)
		<u>(2,292)</u>	<u>(371)</u>
Net cash outflow from investing activities			
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		7,000	-
Issue costs	21	(502)	-
		<u>6,498</u>	<u>-</u>
Net cash inflow from financing activities			
Net increase/(decrease) in cash and cash equivalents			
		<u>1,581</u>	<u>(3,719)</u>
Opening cash and cash equivalents		4,123	7,829
Effect of foreign exchange movements		-	13
Closing cash and cash equivalents	16	<u><u>5,704</u></u>	<u><u>4,123</u></u>

The accompanying notes on pages 27 to 57 form an integral part of these financial statements.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

1. Reporting entity

Aurora Russia Limited (the Company) is a closed ended investment fund that was incorporated in Guernsey on 22 February 2006, and was listed on the London Stock Exchange Alternative Investment Market (AIM) on 24 March 2006. The Company was established to acquire interests in small and mid-sized private companies in Russia, focusing on the financial, business and consumer services sectors.

The consolidated financial statements of the Company as at and for the year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. Basis of preparation

2.1 Statement of compliance

The financial statements give a true and fair view and are prepared in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and applicable legal and regulatory requirements of Guernsey Law and of the London Stock Exchange Alternative Investments Market (AIM). These financial statements comply with the Companies (Guernsey) Law, 2008.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

The significant accounting policies adopted are set out in note 3.

2.3 Changes in accounting policies

The following standards, amendments and interpretations are effective for periods beginning 1 January 2009 but had no impact on the financial position or performance of the Group:

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendment to IAS 23 Borrowing Costs

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

Starting as of 1 April 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Determination and presentation of operating segments
- Presentation of financial statements

(i) Accounting for business combinations

The Group has adopted early IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 April 2009. All business combinations occurring on or after 1 April 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group has applied the acquisition method for the business combination disclosed in note 12.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

2.3 Changes in accounting policies (continued)

(ii) Accounting for acquisitions of non-controlling interests

The Group has adopted early IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 April 2009. The Group has applied IAS 27 (2008) for the acquisition of non-controlling interests as explained in note 12.

The amendments to IAS 27 require changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control to be accounted for as transactions with equity holders in their capacity as equity holders. As a result no gain or loss on such changes is recognised in profit or loss. Also, no change in the carrying amounts of assets (including goodwill) or liabilities is recognised as a result of such transactions. This approach is consistent with treating non-controlling interest as a component of equity.

The carrying amounts of the controlling and non-controlling interest are adjusted to reflect the relative change in their interests in the subsidiary's net assets. Any differences between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to equity holders of the parent. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iii) Determination and presentation of operating segments

As of 1 April 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors of the Company, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(iv) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective for years beginning on or after 1 January 2009 and was applied by the Group from 1 April 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.4 New standards and interpretations not yet adopted

Other than those adopted early as explained in note 2.3, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010, and have not been applied in preparing these consolidated financial statements. None of these will have a significant effect on the consolidated financial statements of the Group:

- IFRS 1 First Time Adoption of International Financial Reporting Standards (revised) – for accounting periods commencing on or after 1 January 2010
- IFRS 2 Group cash-settled share-based payment arrangements (Amendments) – for accounting periods commencing on or after 1 January 2010
- IFRS 9 Financial Instruments – for accounting periods commencing on or after 1 January 2013
- IAS 24 Related Party Transactions (Revised) – for accounting periods commencing on or after 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments) – for accounting periods commencing on or after 1 July 2010

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

2.5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

2. Basis of preparation (continued)

2.5 Critical accounting judgements and key sources of estimation uncertainty (continued)

The following areas are a key source of estimated uncertainty for the Group and are included within the relevant accounting policy note:

- Investments (see note 3.8.2)
- Loans and advances to customers (see note 3.8.4)
- Goodwill (see note 3.1.2)
- Depreciation of property, plant and equipment (see note 3.11)
- Intangible assets (see note 3.12)

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the time of the Group's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant.

2.6 Functional and presentation currencies

The Directors have selected Sterling as the presentation currency of the Group which is also the functional currency of the Company as it is the currency its shares are issued in and the currency in which the Company has received all of its funding. All information presented in sterling has been rounded to the nearest thousand unless otherwise stated.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 27).

3.1 Basis of consolidation

3.1.1 Subsidiaries

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2.3(i) for further details.

The consolidated financial statements incorporate the financial statements of the Company and any entities controlled by the Company (the 'Group') as at 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

On acquisition the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.1.2 Goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

3.1.3 Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

The Company has taken advantage of the exemption available to it under IAS 28, and hence accounts for these applicable investments in terms of IAS 39 at fair value through profit or loss.

3.2 Foreign currency transactions

Transactions in currencies other than sterling are translated at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the dates the fair value was determined.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the reporting date. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

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 rate prevailing on the reporting date.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

3. Significant Accounting Policies (continued)

3.3 Revenue

Revenue from the sale of services is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue from services rendered is recognised in the statement of changes of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue from services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Brokerage fees received from services provided to the banks are recognised in the month when the act of service is rendered with the bank and the loan agreement signed by the client.

Dividend income from investments is recognised when the Company's right to receive payment has been established, which is the last date of registration.

3.4 Expenses

All expenses are accounted for on an accruals basis through profit or loss.

3.5 Set up expenses

The preliminary expenses directly attributable to the issuance and listing of equity instruments of the Company that would otherwise have been avoided are deducted from the share premium account.

3.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors of the Company.

3.7 Taxation

The Company is exempt from Guernsey taxation on income derived outside Guernsey and bank interest earned in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989, for which it pays an annual fee of £600. With effect from 1 January 2008, Guernsey abolished the exempt Company regime. As a publicly available fund, it is eligible to apply for exempt status however, and liable to the annual exempt fee if it chooses to do so.

The Group is liable to Russian tax arising on its activities in Russia.

The Group is liable to Cypriot tax arising on the activities of its Cypriot subsidiaries.

The Group is liable to Ukrainian, Kazakhstani and Bulgarian tax arising on the activities of its Ukrainian, Kazakhstani and Bulgarian subsidiaries.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3.8 Financial Instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument, including unconditional commitments to make investments. The Group offsets financial assets and liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

3.8.1 Forward exchange contracts

The Group's activities expose it to financial risks of changes in foreign currency exchange rates. The Group uses forward foreign exchange contracts to hedge net monetary assets denominated in foreign currencies, where practicable, other than the Russian Rouble, and not for speculative purposes. At the reporting date outstanding forward exchange contracts are measured at their marked to market price, and are included in the financial statements as either a derivative asset or liability. Gains or losses arising on forward foreign exchange contracts are taken to profit or loss. Hedge accounting is not applied.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

3.8.2 Investments

Unquoted investments, including investments in subsidiaries, as well as loans receivable from associated companies are designated as fair value through profit and loss. Investments are initially recognised at cost on a trade date basis. The investments are subsequently re-measured at fair value, which is determined by the Directors on the recommendation of the Valuation Committee. Unrealised gains and losses arising from the revaluation of investments are taken directly to profit or loss. Investments deemed to be denominated in a foreign currency are revalued in Pounds Sterling terms even if there is no revaluation of the investment in its currency of denomination. Acquisition of investments is recorded on the trade date or when substantially all the risks and rewards of ownership transfer to the Group.

Investments are held in Russian Roubles, which the Directors believe best reflect the underlying nature of the currency exposure of the investee companies. The investments are translated into Sterling at period end, which is the functional currency of the Group and the presentation currency of the consolidated financial statements. Unrealised gains and losses arising from the revaluation of investments are taken directly to profit or loss.

The fair value of the investments is arrived at on the basis of the recommendation of the Company's Valuation Committee, based on independent professional advice. Fair value is determined as follows:

Unquoted securities are valued based on the realisation value which is estimated by the Valuation Committee with prudence and good faith. The Valuation Committee will take into account the guidelines and principles for valuation of Portfolio Companies set out by the International Private Equity and Venture Capital Association (IPEVCA), with particular consideration of the following factors:

- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- The valuation methodology applied uses reasonable assumptions and estimations and takes account of the nature, facts and circumstances of the investment and its materiality in the context of the total portfolio.
- An appropriate methodology incorporates available information about all factors that are likely material to affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements.

The most widely used methodologies are listed below (discussed further in note 11). In assessing which methodology is appropriate, the Valuation Committee is predisposed towards those methodologies that draw upon market-based measures of risk and return.

- Market Approach
- Income Approach
- Net Assets Approach

Investments made by the Group are generally considered to be long term investments and are not intended to be disposed of on a short term basis. Accordingly valuations do not necessarily represent the amounts which may eventually be realised from sales or other disposals of investments. Values of unlisted investments may differ significantly from the values that would have been used had a ready market for these assets existed. The fair value of financial assets traded in active markets are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price.

3.8.3 Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.8.4 Loans and advances to customers

Loans granted by the Group are initially recognized at fair value plus related transaction costs on the date they originated. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of comprehensive income according to the nature of these losses. Subsequently, loans are carried at amortized cost. Loans to customers are carried net of any impairment losses.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

3. Significant Accounting Policies (continued)

3.8.4 Loans and advances to customers (continued)

All loans are secured against the property of the borrower, with adequate provisions calculated and managed by the Risk Management Department.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.8.5 Cash and cash equivalents

Cash in banks and short term deposits that are held to maturity are carried at amortised cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

3.8.6 Trade receivables

Trade receivables do not carry any interest and are short-term in nature. Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. They are accordingly stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

3.8.7 Trade payables

Trade payables are not interest bearing and are recognised and carried at amortised cost less repayments.

3.8.8 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.9 Earnings per share

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

3.10 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

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

3.11 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any recognised impairment loss, if any. Depreciation is charged on the carrying value of property, plant and equipment and is designed to write off assets on a straight line basis over their useful economic lives. The estimated useful lives for the current and comparative periods are as follows:

Vehicles:

Trucks (included under Vehicles)	7 years
Cars (included under Vehicles)	5 years

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

3. Significant Accounting Policies (continued)

3.11 Property, plant and equipment (continued)

Fixtures & fittings:

Fixtures & fittings	3-4 years
Warehouse equipment & racks	5 to 20 years

Furniture & equipment:

Office equipment	5 to 10 years
Furniture	5 years
Equipment	3 years
Hardware	2 to 5 years

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

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

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "operating income" in the statement of comprehensive income.

Impairment is recognised in the respective period and is included in operating expenses.

After the recognition of an impairment loss the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Depreciation methods, useful lives and residual values are reviewed each financial year -end and adjusted if appropriate.

3.12 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 3.1.2.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Subsequent expenditure

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

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Software	10 years
Customer base - large customers	15 years
Customer base - small customers	10 years
Trademark and banking licence	Indefinite

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

An intangible asset is regarded as having an indefinite useful life when, based of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the company. Amortisation is not provided for these intangible assets. Intangible assets with indefinite useful lives are tested for impairment at each reporting date by determining the recoverable amount of the assets either individually or at the cash-generating unit level. Where this assessment is performed at the cash-generating unit level, the impairment is determined by assessing the recoverable amount of the cash-generating unit to which the intangible asset relates. In such instances, the recoverable amount is determined as the value in use of the cash-generating unit by estimating the expected future cash flows in the unit and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Where the recoverable amount is less than the carrying amount of the asset or the cash-generating unit, an impairment loss is recognised in profit or loss.

The useful life of an intangible asset with an indefinite life is reviewed at each reporting date to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment is made prospectively.

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

3.13 *Assets held for Sale*

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies.

Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.14 *Impairment of tangible and intangible assets excluding goodwill*

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses and reversals of impairment losses are recognised immediately in profit or loss.

3.15 *Provisions*

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.16 *Employee benefits*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Share based payments

Share options granted to the manager in respect of ongoing services are conditional upon the achievement of certain performance conditions.

The share options have been valued by an independent valuer in the financial statements as at the date the options were granted. The grant date fair value of options granted to the manager is recognised as an expense, with a corresponding increase in equity, over the period that the manager becomes unconditionally entitled to the options. The resulting value is amortised in the profit or loss over the expected life of the options. The options may have a dilutive effect upon the Earnings per Share and the Net Asset Value of the Group.

3.17 *Share capital and equity*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

3.18 *Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

3.19 *Fair Value*

The Directors consider the carrying value of all financial assets and liabilities to approximate their fair value except for "Loans and advances to customers" which are at a fixed rate. Where the difference is significant, note disclosure is provided.

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Notes to the Financial statements

For the year ended 31 March 2010

4. Administration and operating expenses

The net profit/(loss) for the year/period has been arrived at after charging the following items of expenditure:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Company		
Investment management fee	1,677	1,779
Auditors' remuneration	37	48
Directors' remuneration	174	189
Share based payments	600	600
Other operating and administrative expenses:		
- Professional fees	292	262
- Other	561	453
	<u>3,341</u>	<u>3,331</u>
Kreditmart		
Auditors' remuneration	41	52
Directors' remuneration	67	173
Other operating and administrative expenses:		
- Depreciation	268	379
- Property, plant and equipment written off	139	-
- Salaries	1,428	2,734
- Marketing expenses	345	1,317
- Premises expenses	445	1,055
- Credit losses and LLP	(424)	1,780
- Other	239	639
	<u>2,548</u>	<u>8,129</u>
Flexinvest Limited		
Auditors' remuneration	99	89
Directors' remuneration	149	-
Other operating and administrative expenses:		
- Depreciation	51	6
- Salaries	431	468
- Marketing expenses	5	4
- Premises expenses	168	229
- Credit losses and LLP	49	2
- Other	208	261
	<u>1,160</u>	<u>1,059</u>
OSG Records Management (Europe) Limited (for 3 month period)		
Auditors' remuneration	28	-
Directors' remuneration	104	-
Share based payments	18	-
Other operating and administrative expenses:		
- Depreciation and amortisation	317	-
- Salaries	1,242	-
- Marketing expenses	33	-
- Operating lease expenses	717	-
- Allowance for doubtful debts	92	-
- Other	466	-
	<u>3,017</u>	<u>-</u>
Total for the Group	<u>10,066</u>	<u>12,519</u>

5. Tax

Group

5.1 Income tax expense

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Kreditmart		
Current tax charge	-	-
Deferred tax expense*	75	688
	<u>75</u>	<u>688</u>
Flexinvest Limited		
Current tax charge	-	-
Deferred tax credit*	(62)	(126)
	<u>(62)</u>	<u>(126)</u>
OSG Records Management (Europe) Limited (for 3 month period)		
Current tax charge	29	-
Deferred tax credit*	(45)	-
	<u>(16)</u>	<u>-</u>
Deferred tax (credit)/charge:	<u>(32)</u>	<u>562</u>
Net tax (credit)/charge to profit or loss	<u>(3)</u>	<u>562</u>

AURORA RUSSIA LIMITED

Notes to the Financial statements

For the year ended 31 March 2010

5. Tax (continued)	Year ended	Year ended
	31 March 2010	31 March 2009
	£'000	£'000
* Deferred tax expense comprises of:		
Origination and reversal of temporary differences	64	(32)
Temporary differences on fair value adjustment on acquisition of subsidiary	(29)	-
Utilisation of tax losses	(1,145)	(993)
Reduction in tax rate	-	(13)
Change in unrecognised deductible temporary differences	1,078	1,600
Recognition of previously unrecognised tax losses	-	-
	<u>(32)</u>	<u>562</u>

Group and Company

Tax rate reconciliation:

	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2009
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Profit/(loss) for the year	653	4,828	988	(6,321)
Aurora Consolidated profit exempt from tax	<u>(2,806)</u>	-	<u>(4,866)</u>	-
	(2,153)	4,828	(3,878)	(6,321)
Tax at nominal rate (Cyprus)	92	-	97	-
Tax at nominal rate (Russia)	(615)	-	(1,165)	-
Tax effect of income and expenses not deductible in taxable profit	49	-	17	-
Effect of changes in tax rates	-	-	13	-
Effect of deferred tax asset not recognised	470	-	1,600	-
Foreign currency differences	<u>1</u>	-	<u>-</u>	-
	(3)	-	562	-

5.2 Group deferred tax assets and liabilities

Group

2010

Kreditmart and Flexinvest

Deferred tax asset/(liability) comprises:

	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010
	£'000	£'000	£'000
	Assets	Liabilities	Net
Loans to customers	5	-	5
Other assets	48	-	48
Other liabilities	34	(20)	14
Tax loss carry-forwards	123	-	123
	<u>210</u>	<u>(20)</u>	<u>190</u>

2010

OSG Records Management (Europe) Limited (for 3 month period)

Deferred tax asset/(liability) comprises:

	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010
	£'000	£'000	£'000
	Assets	Liabilities	Net
Finance leases	-	(94)	(94)
Intangibles	-	(1,605)	(1,605)
	<u>-</u>	<u>(1,699)</u>	<u>(1,699)</u>

Group deferred tax asset

190

Group deferred tax liability

(1,699)

2009

Deferred tax asset/(liability) comprises:

	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009
	£'000	£'000	£'000
	Assets	Liabilities	Net
Loans to customers	2	-	2
Other assets	45	-	45
Other liabilities	-	(45)	(45)
Tax loss carry-forwards	189	-	189
	<u>236</u>	<u>(45)</u>	<u>191</u>

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For the year ended 31 March 2010

5. Tax (continued)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
5.3 Unrecognised deferred tax assets		
Group		
Tax losses	470	1,600
	<u>470</u>	<u>1,600</u>

A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The Company is exempt from Guernsey taxation on income derived outside Guernsey and bank interest earned in Guernsey.

The Group is liable to pay tax at a rate of 20% (2009:20%) arising on its activities in Russia.

The Group is liable to pay tax at a rate of 10% (2009: 10%) arising on its activities in Cyprus.

The Group is liable to pay tax at a rate of 19% (2009: 19%) arising on its activities in Poland.

The Group is liable to pay tax at a rate of 25%, 20% and 10% arising on its activities in Ukraine, Kazakhstan and Bulgaria respectively.

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed by the tax authorities of making arbitrary judgement of taxpayer activities, if a particular treatment based on Management's judgement of the Subsidiary's business activities was to be challenged by the tax authorities, Kreditmart Finance Limited ("Kreditmart"), Flexinvest Limited ("Flexinvest") and OSG Records Management (Europe) Limited ("OSGRME") may be assessed for additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Entity believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

The Group's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and Kreditmart and OSGRME's assets and operations could be at risk due to negative changes in the political and business environment.

6. Earnings per share

	31 March 2010 £'000 Group	31 March 2010 £'000 Company	31 March 2009 £'000 Group	31 March 2009 £'000 Company
The calculation of the basic and diluted earnings per share is based on the following data:				
Profit for the purposes of basic and diluted loss per share being net profit/(loss) attributable to equity holders of the parent	665	4,828	426	(6,321)
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share (in thousands):	83,491	83,491	75,000	75,000
Effect of dilutive potential ordinary shares:				
Options	-	-	-	-
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) loss per share (in thousands):	83,491	83,491	75,000	75,000
Earnings per share - Basic and Diluted	<u>0.80</u>	<u>5.78</u>	<u>0.57</u>	<u>(8.43)</u>

The potential shares as identified in note 26, are anti-dilutive and as such have not been included in the calculation of diluted earnings per share for the years ended 31 March 2010 and 31 March 2009.

7. Goodwill

	31 March 2010 £'000	31 March 2009 £'000
Group		
Cost:		
At beginning of the year	-	169
Recognised on acquisition of OSG Records Management (Europe) Limited	14,164	-
Exchange gain for the year	-	67
Impairment	-	(236)
	<u>14,164</u>	<u>-</u>

No impairment of goodwill on acquisition of OSGRME is necessary at 31 March 2010 based on the increase in the valuation of OSGRME. Refer to note 11 and 12 for further details in this regard.

In accordance with the valuation at 31 March 2010 performed in respect of Kreditmart by an independent valuer (see note 11), the goodwill acquired was impaired in full in the prior year. This was as a result of significant decreases in the Russian mortgage market which has resulted in the reduction in value of the consumer loans.

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For the year ended 31 March 2010

8. Intangible assets	31 March 2010	31 March 2009
	£'000	£'000
Group		
Cost:		
Opening balance in respect of VUB (see note 12)	2,273	2,680
Currency revaluation - VUB	203	(407)
Recognised on acquisition of OSGRME (see note 12)	8,744	-
Amortisation of intangibles in OSGRME	(142)	-
Closing balance	<u>11,078</u>	<u>2,273</u>

Reconciliation of intangibles

2010	Banking licence	Internally generated software	OSGRME Trademark	Customer base - large	Customer base - small	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Cost:						
At 1 April 2009	2,680	-	-	-	-	2,680
Additions - at acquisition of OSGRME (see note 12)	-	150	598	7,381	615	8,744
Exchange movements	(204)	-	-	-	-	(204)
At 31 March 2010	<u>2,476</u>	<u>150</u>	<u>598</u>	<u>7,381</u>	<u>615</u>	<u>11,220</u>
Amortisation:						
At 1 April 2009	-	-	-	-	-	-
Charge for the period	-	(4)	-	(123)	(15)	(142)
At 31 March 2010	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(123)</u>	<u>(15)</u>	<u>(142)</u>
Carrying amount:						
At 31 March 2010	<u>2,476</u>	<u>146</u>	<u>598</u>	<u>7,258</u>	<u>600</u>	<u>11,078</u>

The valuation of the licence was considered by the Valuation Committee and independent reputable valuer (see note 11) and based on fair market values less costs to sell, it was determined that no impairment was required.

The fair valuation of the intangibles at acquisition date of OSGRME was determined by an independent 3rd party using various valuation methods: the Cost Approach (using historical costs and consumer price inflation), and the Income Approach (using the Multiple Excess Earnings method and Discounted Cash Flow Analysis).

The banking licence and the trademark are both considered by the Directors to have an indefinite useful life. They are expected to generate value indefinitely. The banking licence is registered in Moscow and the OSGRME trademark is registered in Russia, Poland and Ukraine. Furthermore, there were no impairment indicators identified by the Directors in respect of the other intangibles that were subject to amortisation.

9. Assets classified as held for sale	31 March 2010	31 March 2009
	£'000	£'000
Group		
Balance at 1 April 2009	-	-
Additions	914	-
Disposals	(69)	-
Balance at 31 March 2010	<u>845</u>	<u>-</u>

Assets classified as held for sale are the property (flat, cottage and land plot) received after mortgage foreclosure. The assets are available for immediate sale in their present condition. The flat has been sold, and Kreditmart expects to sell the other assets within one year. The assets are recognised at fair value less costs to sell.

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10. Plant and equipment

<u>2010</u>	Vehicles	Fixtures & fittings	Furniture & equipment	Total
Group	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2009	-	429	1,153	1,582
Additions - Kreditmart and Flexinvest	-	-	50	50
At acquisition of OSGRME (see note 12)	655	3,199	619	4,473
Additions - OSGRME	65	843	162	1,070
Disposals	-	(204)	(92)	(297)
Exchange movements	32	341	67	440
At 31 March 2010	<u>753</u>	<u>4,609</u>	<u>1,958</u>	<u>7,318</u>
Depreciation:				
At 1 April 2009	-	(259)	(304)	(563)
Charge for the period	(53)	(163)	(277)	(493)
Disposals	-	116	65	181
At 31 March 2010	<u>(53)</u>	<u>(305)</u>	<u>(516)</u>	<u>(874)</u>
Carrying amount:				
At 31 March 2010	<u>700</u>	<u>4,303</u>	<u>1,442</u>	<u>6,444</u>
<u>2009</u>				
Cost:				
At 1 April 2008	-	459	1,005	1,464
Additions - Kreditmart and Flexinvest	-	30	138	168
Additions - at acquisition of VUB	-	-	19	19
Disposals	-	(33)	(24)	(57)
Exchange movements	-	(27)	15	(12)
At 31 March 2009	<u>-</u>	<u>429</u>	<u>1,153</u>	<u>1,582</u>
Depreciation:				
At 1 April 2008	-	(78)	(119)	(197)
Charge for the period	-	(196)	(189)	(385)
Disposals	-	15	4	19
At 31 March 2009	<u>-</u>	<u>(259)</u>	<u>(304)</u>	<u>(563)</u>
Carrying amount:				
At 31 March 2009	<u>-</u>	<u>170</u>	<u>849</u>	<u>1,019</u>
At 31 March 2008	<u>-</u>	<u>381</u>	<u>886</u>	<u>1,267</u>

See note 17 for property, plant and equipment held under finance leases.

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11. Investment in subsidiaries - at fair value through profit and loss

Company	31 March 2010 £'000	31 March 2009 £'000
OSG Records Management (Europe) Limited		
At 1 April 2009, and 1 April 2008	-	-
Reclassification for investments at fair value through profit or loss	13,600	-
Acquisition of subsidiary as per note 12	8,584	-
Additions	600	-
Fair value revaluation	5,316	-
At 31 March 2010, and 31 March 2009*	<u>28,100</u>	<u>-</u>
Kreditmart		
At 1 April 2009, and 1 April 2008	16,549	27,972
Additions	-	-
Fair value revaluation **	(800)	(11,423)
At 31 March 2010, and 31 March 2009	<u>15,749</u>	<u>16,549</u>
Flexinvest Limited		
At 1 April 2009, and 1 April 2008	6,451	6,451
Additions	-	-
Fair value revaluation *	-	-
At 31 March 2010, and 31 March 2009	<u>6,451</u>	<u>6,451</u>
	<u>50,300</u>	<u>23,000</u>

* OSG Records Management (Europe) Limited was treated as an investment at fair value through profit or loss until a controlling interest was obtained on 12 January 2010 as per note 12.

** The revaluation calculations performed on Kreditmart included the value of Flexinvest as at 31 March 2009, and as such, no revaluation was performed on the individual subsidiary companies.

The valuation of the subsidiaries and investments at 31 March 2010 and 31 March 2009 was performed by an independent reputable valuer with the necessary experience in valuing investments of this nature, and was approved by the Valuation Committee.

Methodologies and assumptions used in valuing investments and investments in subsidiaries:

1) Market Approach:

The market comparable method indicates the market value of the ordinary shares of a business by comparing it to publicly traded companies in similar lines of business. The conditions and prospects of companies in similar lines of business depend on common factors such as overall demand for their products and services. An analysis of the market multiples of companies engaged in similar businesses yields insight into investor perceptions and, therefore, the value of the subject company.

In the market approach, recent sales and listings of comparable assets are gathered and analysed. After identifying and selecting the comparable publicly traded companies, their business and financial profiles are analysed for relative similarity. Price or EV multiples of the publicly traded companies are calculated and then adjusted for factors such as relative size, growth, profitability, risk, and return on investment. The adjusted multiples are then applied to the relevant element of the subject company's business.

All valuations of unquoted investments and investments in subsidiaries (collectively referred to as the "portfolio") were performed using either an enterprise value/revenue or enterprise value/EBITDA multiple (except for Kreditmart and Flexinvest where a Net Asset Assets Approach ie a price/book value approach was used). 24%, by value at year end, of the portfolio was valued using a price/book valuation approach (2009: 28%) with the remaining 76% (2009: 72%) of the portfolio being valued using an enterprise value/revenue multiple and enterprise value/EBITDA multiple approach.

The key assumptions in the valuations were as follows:
- Liquidity discount: 15%-20% (31 March 2009: 5%-25%)

2) Income Approach:

The income approach methodology is used as a cross-check for the Market Approach and indicates the market value of a business enterprise based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at a discount rate that reflects the time value of money and the risks associated with the cash flows.

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11. Investment in subsidiaries - at fair value through profit and loss (continued)

The financial statements of the Group consolidate the results, assets and liabilities of the subsidiary companies listed below:

Name of subsidiary undertaking	Country of incorporation	Class of share	% of class held at 31 March 2010	Principal activity
OSG Records Management (Europe) Limited	Cyprus	Ordinary	95.5%	Financing
OSG Records Management Center Limited Liability Company*	Russia	Ordinary	100.0%	Document storage, data security and records management services
OSG Polska Limited Liability Company*	Poland	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Ukraine	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Kazakhstan	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Bulgaria	Ordinary	100.0%	
Kreditmart Finance Limited	Cyprus	Ordinary	100.0%	Consumer finance
Flexinvest Limited	Cyprus	Ordinary	100.0%	Investment holding
Volzhski Universalny Bank ("VUB") Limited**	Russia	Ordinary	100.0%	Banking and finance

* Direct subsidiaries of OSG Records Management (Europe) Limited and indirect subsidiaries of the Company.

** VUB is held directly by Kreditmart and Flexinvest (see note 12) and is an indirectly held subsidiary of the Company.

12. Acquisition of subsidiaries and non-controlling interests

	OSGRME Fair value on acquisition at 12 January 2010 £'000
Non-current assets	
Property, plant and equipment	4,473
Intangibles	8,744
Current assets	
Trade and other receivables	2,245
Cash and cash equivalents	817
Non-current liabilities	
Loans payable	(4,588)
Deferred tax	(1,738)
Current liabilities	
Trade and other payables	(2,431)
Current taxation payable	(412)
	<u>7,110</u>
Non-controlling interest	<u>(390)</u>
Parent's ownership interest at acquisition date	6,720
Goodwill on acquisition	<u>14,164</u>
	<u>20,884</u>
Fair value of the Company's previously acquired non-controlling investment in OSGRME:	12,300
Purchase Price	<u>8,584</u>
	<u>20,884</u>
Purchase consideration:	
- Issue of 20 million ordinary shares in the Company	7,200
- Cash paid on acquisition of OSGRME	1,206
- Cash paid to terminate previous OSGRME management share options	<u>178</u>
	8,584
Less: non-cash portion of purchase price	(7,200)
Less: Cash received on acquisition	<u>(817)</u>
Net Cash Paid on acquisition of OSGRME	<u>567</u>
Date of acquisition	12 January 2010

The Company acquired a controlling interest in OSGRME Records Management (Europe) Limited on 12 January 2010, being the effective date when all of the conditions relating to the OSGRME Purchase Agreement dated 17 December 2009 were satisfied. The OSGRME investment increased the Company's interest in OSGRME from approximately 50% to approximately 93.6% (on a fully diluted basis including the conversion of all convertible loans at 28 February 2010), with the remaining 6.4 per cent of the equity owned by current and previous members of management of OSGRME. The carrying amounts of the assets and liabilities of the acquiree reflected above equal their fair values.

Furthermore, of the option pool of 6.4 per cent of OSG's shares, approximately 2% of the shares were held under options by previous employees of OSG. As a result of the restructuring, these options were terminated and the share option rights were purchased by the Company for a consideration of US\$288,222. This additional 2% (which includes the conversion of all convertible loans outstanding by the Company at 28 February 2010) of OSG's potential shareholding acquired, resulted in the Company's overall holding in OSG increasing to approximately 95.4%. The further capital injection increased the Company's overall holding in OSGRME to approximately 95.52%.

The amount of the acquiree's loss since the acquisition date which is included in the Consolidated profit of the Group is £161,489.

If the acquisition had been at the beginning of the year, the Consolidated profit would decrease by £265,146.

The Company has applied acquisition accounting to account for its acquisition of OSGRME. Control was obtained in successive share purchases ("step acquisition"). The fair value of the Company's previously acquired non-controlling investment in OSGRME was used in the determination of goodwill.

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12. Acquisition of subsidiaries and non-controlling interests (continued)

OSGRME is a leading records and information management service provider in CEE with a strong market presence in attractive markets (Russia, Poland, Ukraine, Kazakhstan and Bulgaria), has a rapidly growing and diverse client base and has shown resilience in the recent economic downturn. The Directors therefore are of the opinion that the increased investment in OSGRME represents a significant opportunity to take control of a high growth business and thereby increase its ability to receive a control premium in any future exit. Also the new investment in OSGRME will strengthen the Company's balance sheet which, the Directors believe, should facilitate further growth.

The Directors of the Company have set aside £3.2 million as a capital commitment for the future purchase of a warehouse by OSGRME. On 30 March 2010, a £0.6 million share capital injection was made by the Company into OSGRME for "racking". 1,822 shares were issued by OSGRME in this regard, which thus increased the Company's overall holding in OSGRME to approximately 95.52%.

The following summarises the effect of changes in the Group's (parent) ownership interest in OSGRME:

	£'000
Parent's ownership interest at acquisition date	6,720
Effect of parent's increase in parent's ownership interest	4,259
Share of comprehensive income	(311)
Parent's ownership at the the end of the year	<u>10,668</u>

	VUB Fair value on acquisition at 06 May 2008 £'000
Non-current assets	
Property, plant and equipment	19
Intangibles (banking licences)	2,680
Loans receivable	1,689
Current assets	
Trade and other receivables	556
Tax add back	44
Cash and cash equivalents	1,740
Current liabilities	
Customer deposits	(1,675)
Other liabilities	(22)
	<u>5,031</u>
Goodwill on acquisition	-
	<u>5,031</u>
Net cash paid on acquisition of VUB:	
Purchase price	5,031
Less: Cash received on acquisition	(1,740)
Less: Balance owing on acquisition of VUB (see below)	(209)
Net Cash Paid on acquisition of VUB	<u>3,082</u>

Date of acquisition 06 May 2008

The cost of acquisition was paid entirely in cash. Flexinvest Limited purchased a 89.9% stake in VUB, the remaining 10.1% stake being purchased by Kreditmart, the fellow subsidiary of the Company. The carrying amounts of the assets and liabilities of the acquiree reflected above equal their fair values.

The amount of the acquiree's loss since the acquisition date which was included in the Consolidated loss of the Group in 2009 was £553,941.

The effect on the Consolidated profit or loss if the acquisition had been at the beginning of the prior year was immaterial as the acquisition was close to the beginning of the year.

13. Investments - at fair value through profit and loss

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000
	Group	Company	Group	Company
OSG Records Management (Europe) Limited (investment in subsidiary at 31 March 2010 - see note 11)	-	-	13,600	13,600
Unistream Bank	24,400	24,400	25,000	25,000
Grindelia Holdings	17,500	17,500	13,200	13,200
Quoted investments	1,185	-	33	-
Total investments at fair value through profit and loss	<u>43,085</u>	<u>41,900</u>	<u>51,833</u>	<u>51,800</u>

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13. Investments - at fair value through profit and loss (continued)

Change in fair value of investments at fair value through profit and loss

	Year ended 31 March 2010 £'000 Group	Year ended 31 March 2010 £'000 Company	Year ended 31 March 2009 £'000 Group	Year ended 31 March 2009 £'000 Company
OSG Records Management (Europe) Limited (see note 11)	1,934	4,756	4,350	4,350
Unistream Bank	(600)	(600)	7,439	7,439
Grindelia Holdings	4,300	4,300	(4,233)	(4,233)
Quoted investments	(5)	-	(25)	-
Kreditmart and Flexinvest (see note 11)	-	(800)	-	(11,423)
Total unrealised gains/(losses)	<u>5,629</u>	<u>7,656</u>	<u>7,531</u>	<u>(3,867)</u>

On the 8 December 2009, the OSG Group was restructured per a unanimous resolution in writing by the shareholders of Whitebrooks Investments Limited pursuant to the Whitebrooks' Articles of Association. Per the resolution, Whitebrooks Investments Limited redeemed all its issued share capital from its shareholders, and thereafter transferred the entire issued share capital of OSG Records Management (Europe) Limited ("OSGRME") to its shareholders in the same proportion.

The carrying value of the outstanding convertible loans to OSGRME (formerly Whitebrooks Investments Limited) at 28 February 2010 was converted into ordinary shares of OSGRME.

The OSGRME Investment as detailed in note 11, increased Aurora's interest in OSG from approximately 50% to approximately 93.6% (on a fully diluted basis including in both cases the conversion of all convertible loans outstanding), with the remaining 6.4 per cent of the equity owned by current and previous members of management of OSG. Furthermore, of the option pool of 6.4 per cent of OSG's shares, approximately 2% of the shares were held under options by previous employees of OSG. As a result of the restructuring, these options were terminated and the share option rights were purchased by the Company for a consideration of US\$288,222 (£171,186). This additional 2% (which includes the conversion of all convertible loans outstanding by the Company at 28 February 2010) of OSGRME's potential shareholding acquired, resulted in the Company's overall holding in OSGRME increasing to approximately 95.4%. The further capital injection at as detailed in note 12 increased the Company's overall holding in OSGRME to approximately 95.52%.

The Company conducted a Placing of 17.5 million shares at 40 pence per share to satisfy the cash element of the consideration, enabling the Company to subscribe for the new ordinary OSG shares and to provide working capital for the Company.

The Company committed to acquire a 26% stake in Unistream Bank ("Unistream") on 30 November 2006, conditional upon Central Bank of Russia ("CBR") approval. At 30 June 2007 funds had been drawn down from this commitment to acquire a 17.7% stake. The remaining 8.3% stake was acquired on 26 July 2007 once the CBR had given its approval for the Company to own more than 20% of a Russian bank.

As a result of the size of the stakes in these two companies, Unistream (and OSGRME up to 12 January 2010 when a controlling interest was acquired) could potentially qualify as associated companies, which would normally require that they be equity accounted in the books of the Company. However, the Company has taken advantage of the exemption available to it under IAS 28, and hence accounts for these as investments at fair value through profit and loss.

In December 2007 the Company acquired a 24.3% shareholding in Grindelia Holdings Limited, which owns 99.5% of the retail chain that operate under the brands "SuperStroy" and "StroyArsenal".

On 30 June 2009, the Company entered into an agreement with Grindelia Holdings Limited to borrow RUR 5,832,000 on 20 February 2010 for 1 year with an interest rate of 1% per annum. The Company receives quarterly payments in advance of Grindelia Holdings Limited declaring a dividend.

The valuation of the investments at 31 March 2010 and 31 March 2009 was performed by an independent reputable valuer with the necessary experience in valuing investments of this nature, and was approved by the Valuation Committee. The methods and assumptions used in determining the valuations of investments are discussed in note 11.

In the view of the Valuation Committee, the value of the investment in OSGRME, Unistream Bank, and Grindelia Holdings Limited as at 31 March 2010 was estimated at £28.1 million (31 March 2009: £13.6 million), £24.4 million (31 March 2009: £25 million), and £17.5 million (31 March 2009: £13.2 million) respectively, resulting in a decrease of the value of total investments below historical cost in the Company accounts.

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For the year ended 31 March 2010

14. Loans and advances to customers

Group	31 March 2010 £'000	31 March 2009 £'000
Residential mortgages	8,618	9,569
Reconciliation of impairment loss allowance on loans to customers:		
Balance at beginning of the year/period	1,912	195
Allowance for loan losses	(974)	1,722
Translation differences	-	(5)
	<u>938</u>	<u>1,912</u>

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Neither past due nor impaired	Past due not impaired	Financial assets that have been impaired	Balance at 31 March 2010
2010				
Loans to customers	6,831	332	2,306	9,469
Interest	40	2	45	87
Loan loss allowance	(44)	(2)	(892)	(938)
	<u>6,827</u>	<u>332</u>	<u>1,459</u>	<u>8,618</u>
2009				
Loans to customers	6,441	-	4,856	11,297
Interest	34	-	150	184
Loan loss allowance	(12)	-	(1,900)	(1,912)
	<u>6,463</u>	<u>-</u>	<u>3,106</u>	<u>9,569</u>

The delinquent loans as determined by the Risk Management Department of Kreditmart and Flexinvest for the portfolio is as follows: 26 (2009: 18) Accounts comprising 35% (2009: 43%) of the balance of the loan portfolio. For these loans, a specific allowance was made of £572,073 (2009: £1,900,102). For the non-delinquent loans, a portfolio impairment of 0.6% (2009: 0.2%) of outstanding value is provided for. See note 25 "Credit Risk" for more in this regard.

The mortgages are secured upon borrowers' private residences, are repayable in equal monthly instalments and mature between 2014 and 2038 (average maturity of 27 years). Interest is charged at fixed rates at an average annual interest rate of 11.64% (range between 10.5% and 14.9% depending on each borrower). Based on maximum exposure (carrying value of the loans), the collateral pledged in respect of these mortgages is £8,189,157 (2009: £8,716,313).

The fair value of the loans to customers were determined using a market related 14.9% (2009: 14.9%) discount rate on the loans denominated in Roubles. The loans denominated in US Dollars were discounted at 13.3% (2009: 12.8%). Based on these criteria the fair value of the loans were determined to be £7,482,554 (2009: £8,055,453).

15. Trade and other receivables

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000
	Group	Company	Group	Company
Tax receivable	211	-	194	-
Trade debtors	1,975	-	-	-
Less: allowance for doubtful debts	(213)	-	-	-
Sundry debtors and prepayments	2,477	980	1,496	901
Bank interest receivable	-	-	21	16
Amount receivable from related party	-	191	-	195
	<u>4,450</u>	<u>1,171</u>	<u>1,711</u>	<u>1,112</u>

The related party balance is due from Flexinvest Limited and relates to the due diligence costs of the VUB transaction and is interest free, unsecured and repayable on demand.

The breakdown of aged trade receivables in respect of the Group and the Company is as follows:

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000
	Group	Company	Group	Company
Current	992	-	-	-
Receivables < 30 days	338	-	-	-
Receivables > 30 days	136	-	-	-
Receivables > 60 days	203	-	-	-
Receivables > 90 days	306	-	-	-
	<u>1,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Performing	992	-	-	-
Past due	983	-	-	-
Impaired	-	-	-	-
	<u>1,975</u>	<u>-</u>	<u>-</u>	<u>-</u>

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16. Cash and cash equivalents

	31 March 2010 £'000 Group	31 March 2010 £'000 Company	31 March 2009 £'000 Group	31 March 2009 £'000 Company
Bank balances	6,577	4,685	2,271	1,896
Fixed Deposits	6,167	1,019	9,501	2,015
Cash	498	-	250	212
Cash and cash equivalents in statement of cash flows	<u>13,242</u>	<u>5,704</u>	<u>12,022</u>	<u>4,123</u>

The restricted cash balances for the current year, which are included in the above table, total £143,373.

17. Finance leases

The Group acquires the majority of its vehicles and racking systems for its warehouses through finance lease contracts. Such contracts are generally classified as finance leases because the rental period approximates to the estimated useful economic life of the assets; and the Group has the right to purchase the assets outright at the end of the minimum lease term. The Group has financial lease obligations in Russia, Poland and Kazakhstan. The average term of these finance leases are 36 months. The Group presents obligations under financial leases in its Statement of Financial Position at present value (less amounts representing finance charges related to future periods).

The payment schedule of the present value of minimum lease payments is as follows:

Group	31 March 2010 £'000 Less than 1 year	31 March 2010 £'000 Greater than 1 year	31 March 2009 £'000 Less than 1 year	31 March 2009 £'000 Greater than 1 year
Vehicles	108	237	-	-
Fixtures and fittings	582	1,264	-	-
Furniture and equipment	29	66	-	-
	<u>719</u>	<u>1,567</u>	<u>-</u>	<u>-</u>

The carrying value of the property, plant and equipment held under finance leases at 31 March 2010 are:

- Vehicles: £514,593 (2009: Nil)
- Fixtures and fittings: £2,720,363 (2009: Nil)
- Furniture and equipment: £113,951 (2009: Nil)

18. Derivative liabilities

	Group and Company	
	31 March 2010 £'000	31 March 2009 £'000
Current derivative liability		
Sell US\$ 1,200,000 (maturity date 13 November 2008)	-	-
Sell US\$ 4,000,000 (maturity date 14 May 2009)	-	2,685
Buy US\$ 4,000,000 (maturity date 14 May 2009)	-	(2,731)
	-	(46)
Valuation of US\$ liability (maturity date 13 November 2008) - US\$ 3,700,00	-	-
Valuation of US\$ liability at year end - US\$ 4,000,00	-	(2,792)
Valuation of US\$ asset at year end - US\$ 4,000,00	-	2,792
	-	(46)
Derivative revaluation reconciliation		
Loss realised on forward exchange contracts	(46)	(491)
Forward exchange liability at 31 March 2009 as above	-	(46)
Add: forward exchange liability at 31 March 2009, 31 March 2008	46	12
	<u>-</u>	<u>(525)</u>

The Company's policy is to enter into forward foreign currency contracts on an ad hoc basis, to hedge the Company's exposure to currency risk. Fair values are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. They are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently remeasured to their fair value.

Changes in fair values of derivatives and amounts realised on closure of contracts are included in profit or loss within (losses)/gains on derivatives.

The Company has a balance of £Nil (2009: £850,000) included in cash and cash equivalents which is held as security by the counterparty for the forward exchange contracts outstanding at year end.

19. Trade and other payables

	31 March 2010 £'000 Group	31 March 2010 £'000 Company	31 March 2009 £'000 Group	31 March 2009 £'000 Company
Trade payables	380	-	-	-
Expense accruals and other creditors	2,789	89	742	129
Income received in advance	1,433	-	-	-
	<u>4,602</u>	<u>89</u>	<u>742</u>	<u>129</u>

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20. Share capital

	31 March 2010 £'000	31 March 2009 £'000
Authorised share capital:		
200,000,000 Ordinary Shares of 1p each:	<u>2,000</u>	<u>2,000</u>
Issued share capital:		
75,000,000 fully paid Ordinary Shares of 1p each:	750	750
Issued during the year:		
17,500,000 Ordinary Shares	175	-
3,356,596 Ordinary Shares	34	-
16,643,404 Ordinary Shares	<u>166</u>	<u>-</u>
112,500,000 ordinary shares of 1p each:	<u>1,125</u>	<u>750</u>

The Company has one class of ordinary shares which carry no right to fixed income.

2 shares were issued on 24 February 2006 for a consideration of £1 each.

74,999,998 shares were issued on 20 March 2006 for a cash consideration of £1 each.

17,500,000 Consideration Shares were issued on 07 January 2010 at a fair value of 36p each.

3,356,596 Placement Shares were issued on 06 January 2010 at 40 p each.

16,643,404 Placement Shares were issued on 08 January 2010 at 40p each.

The Share Premium balance was transferred to Special Reserve (see below).

Shares reserved for issue under the share option scheme are detailed in note 26.

21. Special reserve

The Special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy back of shares and the payment of dividends.

Group and company	31 March 2010 £'000	31 March 2009 £'000
On conversion from share premium	70,750	70,750
Pemium on issue of ordinary shares	13,825	-
Share issue costs on Placement of shares	(502)	-
	<u>84,073</u>	<u>70,750</u>

22. Share options reserve

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000
	Group	Company	Group	Company
Balance as at 1 April 2009, and 1 April 2008	1,820	1,820	1,220	1,220
Recognised fair value of share options issued during the year	617	600	600	600
Balance as at 31 March 2010, and 31 March 2009	<u>2,437</u>	<u>2,420</u>	<u>1,820</u>	<u>1,820</u>

Details of share-based payments are shown in note 26.

23. Retained earnings

	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000
	Group	Company	Group	Company
Balance as at 1 April 2009, and 1 April 2008	5,320	6,540	4,894	12,861
Net profit/(loss) for the year attributable to owners	665	4,828	426	(6,321)
Acquisition of non-controlling interests in subsidiary	(128)	-	-	-
Balance as at 31 March 2010, and 31 March 2009	<u>5,857</u>	<u>11,368</u>	<u>5,320</u>	<u>6,540</u>

Any surplus or deficit arising from net profits or losses after payment of dividends is taken to this reserve.

24. Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary. Movements in the translation reserve are included under "Other comprehensive income" in the statement of comprehensive income.

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25. Net asset value per share

	31 March 2010 Group	31 March 2010 Company	31 March 2009 Group	31 March 2009 Company
Net assets for the purposes of basic and diluted net asset value per share attributable to equity holders of the parent: (£'000)	93,529	98,986	77,830	79,860
Number of ordinary shares for the purpose of net asset value per share:(in thousands):	112,500	112,500	75,000	75,000
Net asset value per share	<u>83.1p</u>	<u>88.0p</u>	<u>103.8p</u>	<u>106.5p</u>

26. Share based payments

Company

Terms

The Company has granted an option to the Manager to subscribe for ordinary shares representing 20% of the issued share capital of the Company after the exercise of the Manager option at the placing price per ordinary share (subject to adjustments for any dividends per share paid by the Company prior to exercise by the Manager); provided that the total shareholder return on the ordinary shares including distributions to shareholders, as compared to the placing price has increased by at least 12% per annum from the date of admission until exercise measured by reference to the average of the closing mid-market prices of the ordinary shares in the three months prior to the date on which the Manager option becomes exercisable (the "hurdle rate"), and, provided further that if any additional ordinary shares are issued following admission as part of any secondary fundraising, the exercise price of the Manager option in respect of such additional shares shall be the issue price paid for such shares pursuant to such secondary fundraising (subject to adjustments for any dividends per share paid by the Company prior to exercise by the Manager).

The Option Deed provides for further Option Shares to be issued upon the issue of new shares by the Company, with the exercise price for such further Option Shares being equal to the cash placing price of such new shares. Because the Option Deed did not contemplate the issuance of shares at a discount to the IPO placing price, the Condition is based on an increase in the price per share rather than an increase in the value of the fund, as would be the case in a typical private equity fund. Therefore, the Company has agreed with the Manager to amend the Option Deed during the year, so that the formula used in the Condition allows for new Ordinary Shares to be issued at, above or below the IPO placing price, to more accurately reflect the value of the fund.

This amendment will mean that the 12 per cent hurdle will be based upon the total funds raised by the Company across all shares issued for cash. The Manager believes that it will have a realistic potential of exercising the Option, thus further incentivising its performance. It should be noted that the Amended Option Deed does not reduce the exercise price in respect of the Option Shares, merely the condition to exercise the Option.

In terms of the amended Option Deed, there were 9,375,000 additional options issued with a 40 pence strike price. However these additional share options do not impact the grant date fair value of the equity options nor modify the value recognised over the remaining vesting period.

The Manager option is exercisable at any time during the period between the third and tenth anniversaries of the date of admission; provided that the hurdle rate has been met prior to the date of exercise of the Manager option. The Manager option shall also become exercisable at any time between the date of admission and the tenth anniversary thereof in the event of a takeover of the Company or the Company's liquidation. In such circumstances, the Manager does not need to satisfy the hurdle rate in order to exercise the Manager option.

<i>Change in the year</i>	31 March 2010	31 March 2009	Exercise price
	Number '000	Number '000	
Options as at 1 April 2009, and 1 April 2008	18,750	18,750	100p
Options granted during the year	9,375	-	40p
Options as at 31 March 2010, and 31 March 2009	<u>28,125</u>	<u>18,750</u>	
Exercisable options at the end of the year	<u>-</u>	<u>-</u>	

The options outstanding at 31 March 2010 had a remaining contractual life of 6 years (31 March 2009: 7 years).

Calculation of the fair value of equity settled share based payments

All share based payments were valued at the date of issue using the Monte Carlo model. The key inputs to this model that drive the option value are:

Share price at grant of options	100p
Exercise price	100p
Expected volatility	20%
Risk free rate	4.39%
Effective dividend yield	0%

Based on the above valuation the total value of the options granted at the date of grant was £3,000,000.

The Directors have estimated that the hurdle rate will be achieved, and hence the options will vest, after 5 years. The value of the options will be charged to profit or loss on a pro rata basis over the course of the 5 years ending 20 March 2011. The charge arising for the year ended 31 March 2010 is £600,000 (2009: £600,000).

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26. Share based payments (continued)

OSGRME

Terms

Under shareholders' approval a maximum of 3324 shares are available for issue to management of the OSGRME Group. This is representing a maximum of 4.48% of the OSGRME Group's equity as of 31 March 2010. From this pool 3250 share options were actually granted to management of OSGRME as of 31 March 2010 (1250 were granted in 2007 and are exercisable at grant date with a fair value at grant date of \$406,998, 1000 were granted in 2008 with a 5 year vesting period with a fair value at grant date of \$320,521, 1000 were granted in 2009 with a 5 year vesting period with a fair value at grant date of \$186,140).

<i>Change in the year</i>	31 March 2010	
	Number	Exercise price
Options at acquisition date	3,250	\$160 - \$434
Options granted during the 3 month period	-	
Options as at 31 March 2010	<u>3,250</u>	
Exercisable options at the end of the year	<u>1,250</u>	

The options outstanding at 31 March 2010 had a remaining contractual life of 5 years

All share based payments were valued at the date of issue using the Black-Scholes Model. The Directors have estimated that the hurdle rate will be achieved, and hence the options will vest, after 5 years. The value of the 2000 options that were granted in 2008-2009 will be charged to profit or loss on a pro rata basis over the course of the 5 years ending December 2013. The charge arising for the 3 month ended 31 March 2010 is £17,661.

27. Interest expense

<u>Group</u>	31 March 2010	31 March 2009
	£'000	£'000
Finance leases	83	-
Other	<u>12</u>	<u>21</u>
	<u>95</u>	<u>21</u>

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<u>Group</u>	31 March 2010	31 March 2009
	£'000	£'000
Less than 1 year	3,199	602
1 - 5 years	<u>11,628</u>	<u>47</u>
	<u>14,827</u>	<u>649</u>

The Group leases a number of premises including warehouse facilities and office buildings under operating leases. The leases typically run for a period of 1 - 5 years.

29. Financial risk factors

The investment strategy of the Company is to make equity or equity-related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors with the objective to provide investors with an attractive level of capital growth from investing in a diversified private equity portfolio. Consistent with that objective, the Company's financial instruments mainly comprise of investments in private equity companies. In addition the Company holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The main risks arising from the Company's financial instruments are credit risk, foreign currency risk, market price risk and interest rate risk.

Capital Management

The capital structure of the Group at year end consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group has no return on capital benchmark, but the Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Group is not subject to any external capital requirements.

In the 2009 Annual General Meeting, the Board of Directors renewed their ability to repurchase 14.99% of shares each period in accordance with The Companies (Guernsey) Law 2008.

Liquidity risk

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

The Group's liabilities are short-term in nature (apart from the finance leases as per note 16) and are payable in the normal operating cycle. Refer to the interest rate risk table in note 29 for the maturity analysis of the Group's liabilities.

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29. Financial risk factors (continued)

Credit risk

The Group is exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Forward exchange contracts were held in the prior year with The Royal Bank of Scotland International, a highly reputable counterparty with a high credit rating. The Group monitors the placement of cash balances on an ongoing basis. No financial assets held by the group have had their credit rating graded by an internationally regarded agency.

Two subsidiaries of the Group, Kreditmart and Flexinvest, are exposed to credit risk in respect of mortgage loans, arising from possible default of its customers. The credit risk is mitigated by the Risk Department, who on a monthly basis compile a Portfolio Quality report, which analyse the key trends and highlights any risk areas, as well as a review of any delinquent and potentially delinquent accounts. The Risk Department also mitigate the credit risk through the calculation of the Value at Risk ('VAR') to forecast the level of estimated losses, calculate the Loan Loss Provisions ('LLP') on a monthly basis based on Central Bank of Russia Federation instructions and calculate the limits of insurance responsibilities of Insurance companies that provide the customers mortgage insurance.

The Financial Departments of OSG Records Management (Europe), Kreditmart and Flexinvest exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Russian Federation and Eastern Europe. The geographical concentration of the assets and liabilities of the Group are set out below:

31 March 2010					
	Russian Federation	United Kingdom	Poland	Cyprus	Other
ASSETS	%	%	%	%	%
Long term third party loans receivable	100	-	-	-	-
Trade and other receivables	57	25	13	-	5
Cash and cash equivalents	44	49	1	5	1

31 March 2009				
	Russian Federation	United Kingdom	Cyprus	Other
ASSETS	%	%	%	%
Long term third party loans receivable	100	-	-	-
Trade and other receivables	41	58	1	-
Cash and cash equivalents	4	33	62	1

Kreditmart and Flexinvest do not have any Sub-prime customers due to criteria guidelines which do not allow loans to be granted to borrowers without income confirmation documents. The Risk Department of Kreditmart and Flexinvest have determined that the value of delinquent loans are £1,837,541 (2009: £4,856,568). Loan payments are current except for £920,911 which is 60 days overdue as at 31 March 2010 (2009: £280,718: 60 days overdue) and £574,709 which is 90 and 120 days overdue as at 31 March 2010 (2009: £1,694,239: 120 days). At 31 March 2010, a Loan Impairment Provision in respect of these loans was raised of £572,073 (2009:£1,912,982). OSG Records Management (Europe) has no loan receivables. See note 15 for details of the ageing of trade receivables.

The maximum exposure to credit risk for the Group and Company at the end of the reporting period without taking into account any collateral held or credit enhancements is the following:

	Note	31 March 2010 Group £'000	31 March 2010 Company £'000	31 March 2009 Group £'000	31 March 2009 Company £'000
Cash and cash equivalents	16	13,242	5,704	12,022	4,123
Trade and other receivables	15	4,450	1,171	1,711	1,112
Loans to customers	14	8,618	-	9,569	-
		<u>26,310</u>	<u>6,875</u>	<u>23,302</u>	<u>5,235</u>

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29. Financial risk factors (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's reporting currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Russian Roubles, Polish Zloty and the US Dollar. All of the Group's equity investments are denominated in Russian Roubles. The Group does not hedge its currency exposure on equity investments but has put in place hedges on monetary assets to mitigate its US Dollar exposure. The Group does not use such currency derivatives for speculative purposes. See note 18 for detail of currency derivative contracts entered into during the current year and prior year, as well as those outstanding at year end.

Currency Risk Table

An analysis of the Group's net currency exposure is as follows:

As at 31 March 2010:

Currency of denomination	Sterling	US Dollars	Russian Roubles	Polish Zloty	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	31,753	4,009	63,045	2,284	1025	102,116
Total liabilities	(1,564)	(39)	(4,833)	(1,581)	(570)	(8,587)
Net currency exposure	<u>30,189</u>	<u>3,970</u>	<u>58,212</u>	<u>703</u>	<u>455</u>	<u>93,529</u>

As at 31 March 2009:

Currency of denomination	Sterling	US Dollars	Russian Roubles	Polish Zloty	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	12,412	5,108	61,039	-	59	78,618
Total liabilities	(45)	(4)	(739)	-	-	(788)
Net currency exposure	<u>12,367</u>	<u>5,104</u>	<u>60,300</u>	<u>-</u>	<u>59</u>	<u>77,830</u>

An analysis of the Company's net currency exposure is as follows:

As at 31 March 2010:

Currency of denomination	Sterling	US Dollars	Russian Roubles	Other	Total
	£'000	£'000	£'000	£'000	£'000
Total assets	6,568	-	92,507	-	99,075
Total liabilities	(89)	-	-	-	(89)
Net currency exposure	<u>6,479</u>	<u>-</u>	<u>92,507</u>	<u>-</u>	<u>98,986</u>

As at 31 March 2009:

Currency of denomination	Sterling	US Dollars	Russian	Other	Total
	£'000	£'000	£'000	£'000	£'000
Total assets	5,034	168	74,833	-	80,035
Total liabilities	(175)	-	-	-	(175)
Net currency exposure	<u>4,859</u>	<u>168</u>	<u>74,833</u>	<u>-</u>	<u>79,860</u>

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29. Financial risk factors (continued)

Foreign Currency Sensitivity

The following table details the Group's sensitivity to a 20% (2009: 20%) strengthening of the Sterling against each of the relevant foreign exchange currencies. 20% (2009: 20%) is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the possible change in foreign exchange rates. This analysis assumes that all variables, in particular interest rates remain constant. The analysis is performed on the same basis for the prior period.

Increase/(decrease) in profit /loss:

	31 March 2010 £'000 Group	31 March 2010 £'000 Company	31 March 2009 £'000 Group	31 March 2009 £'000 Company
Russian Rouble	(11,642)	(18,501)	(12,060)	(14,967)
US Dollar	(794)	-	(1,021)	(34)
Polish Zloty	(141)	-	-	-
Other	(91)	-	(12)	-

A 20% (2009: 20%) weakening of the Sterling against each of the relevant foreign exchange currencies at the year end would have had the equal but opposite effect, on the basis that all other variables remain the same.

Market risk

Market price risk arises principally from uncertainty concerning future values of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding interests in unquoted private companies whose value may fluctuate and which may be difficult to value and/or to realise. The Company seeks to mitigate such risk by assessing such risks as part of the due diligence process related to all potential investments, and by establishing a clear exit strategy for all potential investments. There is a rigorous due diligence process before an investment can be approved which will cover financial, legal and market risks. Following investment the Company/Manager will always have Board representation, the investee company is required to submit regular management information to an agreed standard and timeliness and the Manager undertakes regular monitoring. The Board receives and considers the most recent monitoring report prepared by the Manager at every Board meeting.

Pricing Risk Table

All security investments present a risk of loss of capital, the maximum risk resulting from instruments is determined by the fair value of the financial instrument. The following represents the Group and Company's market pricing exposure at year end:

At 31 March 2010:

	Note	Fair Value £'000 Group	% of Net Assets	Fair Value £'000 Company	% of Net Assets
Investments at fair value through profit & loss:					
- Unlisted Equities	13	41,900	43.29	92,200	93.14
- Quoted investments	13	1,185	1.22	-	-

At 31 March 2009:

		Fair Value £'000 Group	% of Net Assets	Fair Value £'000 Company	% of Net Assets
Investments at fair value through profit & loss:					
- Unlisted Equities	13	51,800	66.56	74,800	93.66
- Quoted investments	13	33	0.04	-	-
Derivative liabilities					
- Open forwards	18	(46)	(0.06)	(46)	(0.06)

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For the year ended 31 March 2010

29. Financial risk factors (continued)

Valuation of financial instruments

The Group measures fair values using the the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

> Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

> Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

> Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2010:				
Investments at fair value through profit & loss:				
- Unlisted Equities	-	-	41,900	41,900
- Quoted investments	1,185	-	-	1,185
Derivative liabilities				
- Open forwards	-	-	-	-
	<u>1,185</u>	<u>-</u>	<u>41,900</u>	<u>43,085</u>

At 31 March 2009:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit & loss:				
- Unlisted Equities	-	-	51,800	51,800
- Quoted investments	33	-	-	33
Derivative liabilities				
- Open forwards	-	(46)	-	(46)
	<u>33</u>	<u>(46)</u>	<u>51,800</u>	<u>51,787</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Group:

2010

	Level 3 £'000
Opening balance	51,800
Purchases	-
Sales	-
Transfer to investment in subsidiary (OSGRME) (Note 11)	(15,534)
Total gains or losses in profit or loss	<u>5,634</u>
Closing balance	<u>41,900</u>

Company

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2010:				
Investments at fair value through profit & loss:				
- Unlisted Equities	-	-	92,200	92,200
- Quoted investments	-	-	-	-
Derivative liabilities				
- Open forwards	-	-	-	-
	<u>-</u>	<u>-</u>	<u>92,200</u>	<u>92,200</u>

At 31 March 2009:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit & loss:				
- Unlisted Equities	-	-	74,800	74,800
- Quoted investments	-	-	-	-
Derivative liabilities				
- Open forwards	-	(46)	-	(46)
	<u>-</u>	<u>(46)</u>	<u>74,800</u>	<u>74,754</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy of the Company:

2010

	Level 3 £'000
Opening balance	74,800
Purchases	9,744
Sales	-
Total gains or losses in profit or loss	<u>7,656</u>
Closing balance	<u>92,200</u>

Although the Group and Company believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy (as per note 11), changing one or more of the unobservable inputs used for either a conservative and optimistic approach would have the following effects:

Level 3 investments have been valued in accordance with the methodologies in Note 11. The value of the investments and the fair value movements are disclosed in note 13.

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For the year ended 31 March 2010

29. Financial risk factors (continued)

Price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks as at the reporting date.

At the reporting date, if the valuations had been 20% higher while all other variables were held constant net profit would increase by £8,380,000 (2009: £10,357,400) for the Group and £18,440,000 (2009: £14,950,800) for the Company. This sensitivity rate was determined by the Directors as reasonable taking market conditions into account.

If the valuation of investments had been 20% (2009: 20%) lower it would have had the equal but opposite effect, on the basis that all other variables remain the same.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk as a result of the cash and bank balances that are invested at floating interest rates. The Group monitors its interest rate exposure regularly and allocates its cash resources to an appropriate mix of floating and fixed rate instruments of varying maturities.

The following table details the Group and Company's exposure to interest rate risk as at period end by the earlier of contractual maturities or re-pricing:

Group

	No contractual terms of repayment	Less than 1 month	1-3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2010:								
Assets								
Non-interest bearing	77,156	2,166	1,525	191	569	190	-	81,797
Floating interest rate instruments	4,379	-	-	-	-	-	-	4,379
Fixed interest rate instruments *	682	3,415	1,293	2,192	187	217	7,954	15,940
Total	82,217	5,581	2,818	2,383	756	407	7,954	102,116
Liabilities								
Non-interest bearing	(1,699)	(2,981)	(1,317)	(1,023)	-	-	-	(7,020)
Floating interest rate instruments	-	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	(824)	(743)	-	(1,567)
Total	(1,699)	(2,981)	(1,317)	(1,023)	(824)	(743)	0	(8,587)
Net Exposure	80,518	2,600	1,501	1,360	(68)	(336)	7,954	93,529

	No contractual terms of repayment	Less than 1 month	1-3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2009:								
Assets								
Non-interest bearing	57,429	-	-	-	-	-	-	57,429
Floating interest rate instruments	-	2,091	-	-	-	-	-	2,091
Fixed interest rate instruments	-	8,561	59	1,266	353	1,058	7,801	19,098
Total	57,429	10,652	59	1,266	353	1,058	7,801	78,618
Liabilities								
Non-interest bearing	(742)	-	(46)	-	-	-	-	(788)
Floating interest rate instruments	-	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-	-	-
Total	(742)	-	(46)	-	-	-	-	(788)
Net Exposure	56,687	10,652	13	1,266	353	1,058	7,801	77,830

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29. Financial risk factors (continued)

Company

	No contractual terms of repayment	Less than 1 month	1-3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2010:								
Assets								
Non-interest bearing	92,607	-	980	-	-	-	-	93,587
Floating interest rate instruments	4,379	-	-	-	-	-	-	4,379
Fixed interest rate instruments	-	-	-	1,109	-	-	-	1,109
Total	96,986	-	980	1,109	-	-	-	99,075
Liabilities								
Non-interest bearing	-	(89)	-	-	-	-	-	(89)
Floating interest rate instruments	-	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-	-	-
Total	0	(89)	0	-	-	-	-	(89)
Net Exposure	96,986	(89)	980	1,109	-	-	-	98,986

	No contractual terms of repayment	Less than 1 month	1-3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2009:								
Assets								
Non-interest bearing	75,896	-	-	-	-	-	-	75,896
Floating interest rate instruments	-	2,091	-	-	-	-	-	2,091
Fixed interest rate instruments	-	1,048	-	1,000	-	-	-	2,048
Total	75,896	3,139	-	1,000	-	-	-	80,035
Liabilities								
Non-interest bearing	(129)	-	(46)	-	-	-	-	(175)
Floating interest rate instruments	-	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-	-	-
Total	(129)	-	(46)	-	-	-	-	(175)
Net Exposure	75,767	3,139	(46)	1,000	-	-	-	79,860

* The Group's fixed interest rate instruments represents cash accounts placed on deposit by the Company, Kreditmart and Flexinvest, and OSGRME, and the mortgages granted by Kreditmart and Flexinvest. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (forward exchange contracts) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The expected maturities of the undiscounted cash flows (including interest) of the mortgages granted by Kreditmart and Flexinvest at 31.03.10 and 31.03.09 is presented in the following table (note: there are no mortgage bonds in OSGRME):

Kreditmart and Flexinvest

	Less than 1 month	1-3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 March 2010:	120	240	1,079	1,276	3,420	24,846	30,981
At 31 March 2009:	117	234	1,055	1,392	4,176	30,781	37,755

Sensitivity analysis

The sensitivity analysis below have been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 March 2010 would have increased by £21,896 (2009: £10,373) and the Company's by £21,896 (2009: £10,373).

If interest rates had been 50 basis points lower it would have had the equal but opposite effect, on the basis that all other variables remain the same.

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30. Segmental information

The Board of Directors of the Company decides on the strategic resource allocations of the Group. The operating segments of the Group are the business activities that earn revenue or incur expenses, whose operating results are regularly reviewed by the Board of Directors of the Company, and for which discrete financial information is available. The Board of Directors considers the Group to be made up of 3 segments, which are reflective of the business activities of the Group and the information used for internal decision-making:

- Aurora Russia Limited (*parent company*)
- Kreditmart Finance Limited, Flexinvest Limited and Volzhski Universalny Bank ("VUB") Limited (*subsidiaries*)
- OSG Records Management (Europe) Limited ("OSGRME") (*subsidiary*)

The Group is engaged in investment in small and mid-sized companies in Russia and in one principal geographical area, being Russia.

Kreditmart Finance Limited, Flexinvest Limited and Volzhski Universalny Bank ("VUB") Limited (*subsidiaries*) disburse mortgage and consumer loans for private clients, place deposits, and render other services (money transfers, safe boxes). Kreditmart provides private clients with consultations on mortgage, consumer loans, vehicle insurance, and other financial services.

The OSG Group consists of six legal entities: OSG Records Management (Europe) Ltd (Cyprus), OSG Records Management Center (Russia), OSG Polska (Poland), OSG Records Management (Ukraine), OSG Records Management (Bulgaria) and OSG Records Management (Kazakhstan). OSG Records Management (Europe) Ltd (Cyprus) is a parent company for OSG Group which owns 100% of shares of 5 operating units in Russia (being the largest operation), Poland, Ukraine, Kazakhstan and Bulgaria. The OSG Group provides records management services (document storage and other services) through its 100% owned operating subsidiaries. More than half of sales revenues are earned through providing document storage services. The remaining revenues come from the following warehouse services, transportation of documents; archive services, data processing services and destruction of documents and tapes. Approximately 70% of the operating income is derived from Russia, with the bulk of the remaining portion being derived from Poland.

The main customers of Kreditmart, Flexinvest and VUB are private clients and the main customers of OSGRME are financial institutions, telecom and other companies.

The Investment Manager's Report provides more information on the Company's business and the operations of each investment.

The parent company derives its revenues from its investments by way of interest and dividends.

	31 March 2010 £'000	31 March 2010 £'000	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000	31 March 2009 £'000	31 March 2009 £'000
	Kreditmart/ Flexinvest/ Aurora			Total	Kreditmart/ Flexinvest/ Aurora			Total
Revenue	659	1,615	2,997	5,271	665	2,012	-	2,677
- Fees	-	323	-	323	-	394	-	394
- Storage	-	-	1,575	1,575	-	-	-	-
- Warehousing, transport, data processing and other	-	-	1,420	1,420	-	-	-	-
- Interest on long term mortgages and other loans	-	1,062	-	1,062	-	1,321	-	1,321
- Loan interest	399	-	-	399	281	-	-	281
- Bank interest	13	230	2	245	272	297	-	569
- Dividend income	247	-	-	247	112	-	-	112
Administration and operating expenses	(3,341)	(3,390)	(2,701)	(9,432)	(3,331)	(8,803)	-	(12,134)
Depreciation and amortisation	-	(318)	(317)	(635)	-	(385)	-	(385)
Interest expense	-	(12)	(161)	(173)	-	(21)	-	(21)
Fair value movements on revaluation of investments	7,656	(5)	0	7,651	(3,867)	(25)	-	(3,892)
- Kreditmart/Flexinvest/VUB	(800)	-	-	(800)	(11,423)	-	-	(11,423)
- OSGRME	4,756	-	-	4,756	4,350	-	-	4,350
- Unistream	(600)	-	-	(600)	7,439	-	-	7,439
- Grindelia (SuperStroy)	4,300	-	-	4,300	(4,233)	-	-	(4,233)
- Quoted investments	-	(5)	-	(5)	-	(25)	-	(25)
Fair value movements on derivatives	-	-	-	-	(525)	-	-	(525)
Exchange (losses)/gains	(146)	134	4	(8)	737	3,344	-	4,081
Operating profit/(loss) before tax	4,828	(1,976)	(177)	2,675	(5,796)	(3,878)	-	(10,199)
Tax	-	(13)	16	3	-	(562)	-	(562)
Net segment profit/(loss)	4,828	(1,989)	(162)	2,677	(5,796)	(4,440)	-	(10,761)

Reconciliation of segment profit/(loss) to consolidated statement of comprehensive income

	31 March 2010 £'000	31 March 2009 £'000
Total net segment income/(loss)	2,677	(10,761)
Adjustment for fair value movements on Kreditmart/Flexinvest/VUB and OSGRME	(2,021)	11,423
Impairment of goodwill - Flexinvest	-	(236)
Net profit for the year for the Group	656	426

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30. Segmental information (continued)

	31 March 2010 £'000	31 March 2010 £'000	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2009 £'000	31 March 2009 £'000	31 March 2009 £'000
	Kreditmart/ Flexinvest/ Aurora			Kreditmart/ Flexinvest/ VUB			OSGRME	
	Aurora	VUB	OSGRME	Total	Aurora	VUB	OSGRME	Total
Total segments assets include:								
Investments in subsidiaries	50,300	-	-	50,300	23,000	-	-	23,000
Financial assets at fair value through profit or loss	41,900	1,185	-	43,085	51,800	33	-	51,833
- OSGRME	-	-	-	-	13,600	-	-	13,600
- Unistream	24,400	-	-	24,400	25,000	-	-	25,000
- Grindelia (SuperStroy)	17,500	-	-	17,500	13,200	-	-	13,200
- Quoted investments	-	1,185	-	1,185	-	33	-	33
Cash and cash equivalents	5,704	5,502	2,036	13,242	4,123	7,899	-	12,022
Intangible assets	-	2,680	-	2,680	-	2,680	-	2,680
Property, plant and equipment	-	689	5,755	6,444	-	1,019	-	1,019
Assets classified as held for sale	-	845	-	845	-	-	-	-
Loans and advances to customers	-	8,618	-	8,618	-	9,569	-	9,569
Other assets	1,171	949	2,711	4,831	1,112	987	-	2,099
Segment assets	99,075	20,468	10,502	130,045	80,035	22,187	-	102,222
Total segment liabilities	(89)	(760)	(6,324)	(7,173)	(175)	(810)	(810)	(985)

Reconciliation of segment assets and liabilities to consolidated statement of financial position

	31 March 2010 £'000	31 March 2009 £'000
Segment assets for reportable segments	130,045	102,222
Exchange loss on translation of intangibles	(204)	(407)
Investment in subsidiaries	(50,300)	(23,000)
Goodwill on acquisition of OSGRME	14,164	-
Fair value adjustment of Net Assets on acquisition of OSGRME	8,602	-
Intercompany debtors	(191)	(197)
Total assets for the Group	102,116	78,618
Segment liabilities for reportable segments	(7,173)	(985)
Deferred taxation adjustment on acquisition of OSGRME	(1,605)	-
Intercompany creditors	191	197
Total liabilities for the Group	(8,587)	(788)

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31. Related party transactions

The Company has 4 subsidiaries, OSG Records Management (Europe) Limited, Kreditmart Finance Limited, Flexinvest Limited and Volzhski Universalny Bank Limited (see note 11 and 12). Details of the investments in Unistream Bank and Grindelia Holdings are presented in note 13.

Balances owing between the Company and any subsidiaries which are related parties have been eliminated on consolidation. This includes a loan receivable from Flexinvest (see note 15).

The conversion of the loan to equity in respect of OSGRME is disclosed in notes 11 and 12. Interest received on this loan up to date of conversion of £398,574 (year ended 31 March 2009: £280,626) is separately disclosed on the face of the statement of comprehensive income.

The Company pays fees, which are at arm's length, to Aurora Investment Advisors Limited ('AIAL') for its services as investment manager and advisor. The total charge to profit or loss during the year was £1,677,216 (2009: £1,779,091). There were no outstanding fees at the year end.

On 10 March 2009, an amendment was made to the Management Agreement between the Manager, Aurora Investment Advisors Limited ('AIAL'), and the Company. With effect from 1 January 2009, the Manager is free to provide investment advice or other equivalent services to persons other than the Company. The Company shall be entitled to co-investment rights in relation to any investments made by a new fund that the Manager proposed to establish after January 2009 in any securities which could otherwise be acquired by the Company in accordance with the Investment Policy ("Co-Investments").

John McRoberts and James Cook each hold 47.5% of the ordinary share capital and 36.25% of the non-voting preference share capital of AIAL at year end. In addition, John McRoberts and James Cook are both directors of Aurora (II) GP Limited, a wholly owned subsidiary of AIAL.

The Company pays fees to Close Fund Services Limited ('CFSL') for its services as administrator. The total charge to profit or loss during the year was £93,839 (2009: £72,978), of which £5,000 (2009: £NIL) was outstanding at the year end. John Whittle was appointed a director of the Company on 17 January 2008. He was also a director of CFSL until 31 May 2009.

The Directors of the Company and of Kreditmart OOO other than John McRoberts and James Cook, received fees for their services. The total charge to the profit or loss during the year was £174,279 (2009: £188,839), of which £3,330 (2009: £4,776) was outstanding at the year end. Details of directors' remuneration are disclosed in the Directors' Report.

32. Reclassification of comparatives

Movements in foreign currency translation differences have been reclassified from "Equity" in the consolidated statement of changes in equity to "Other comprehensive income" in the consolidated statement of comprehensive income per IAS 1 Presentation of Financial Statements.

33. Contingencies and capital commitments

As detailed in note 12, The Directors of the Company have set aside £3.2 million as a capital commitment for the future purchase of a warehouse by OSGRME.

The Group had no other contingencies and capital commitments outstanding at the reporting date.

34. Events after the reporting date

There were no material subsequent events after the reporting date.

AURORA RUSSIA LIMITED

Directors and Advisors

Directors

Dan Koch
Ben Morgan
Christopher Cowan - resigned on 31 May 2009
Grant Cameron
James Cook
John McRoberts
John Whittle
Alexandr Dumnov - appointed 17 June 2010

Manager

Aurora Investment Advisors Limited
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Administrator and Secretary

Close Fund Services Limited
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Registrar

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Guernsey Advocates to the Company

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Numis Securities Limited
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10 Paternoster Square
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Independent Auditor

KPMG Channel Islands Limited
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