OJSC Russian Sea Group

Consolidated Financial Statements
for the Year Ended 31 December 2011

OJSC RUSSIAN SEA GROUP

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OJSC RUSSIAN SEA GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation and fair presentation of the consolidated financial statements of financial position of OJSC Russian Sea Group and its subsidiaries (the "Group") as at 31 December 2011 and the related consolidated statements of comprehensive income, cash flows and changes in equity for the twelve months then ended in accordance with International Financial Reporting Standards.

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2011 were authorised for issue on 23 April 2012 by:

T. TARASOV	**I. SOSNOV**
Chief Executive Officer	Chief Financial Officer

Deloitte.

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Shareholders and Board of Directors of OJSC Russian Sea Group:

We have audited the accompanying consolidated financial statements of OJSC Russian Sea Group and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 6.1. to the consolidated financial statements which describes the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

We also draw attention to the fact that the consolidated financial statements for the eighteen months ended 31 December 2010 were restated as disclosed in Note 3 to the consolidated financial statements.

Deloitte & Touche CIS

23 April 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011
(in thousands of Russian Roubles)

	Notes	31 December 2011	31 December 2010 (Restated)	30 June 2009
ASSETS				
Non-current assets				
Property, plant and equipment	9	1,394,084	1,336,145	1,256,424
Intangible assets	10	51,024	47,839	40,397
Loans given to third parties		5,000	-	-
Loans given to related parties	8	-	11,980	-
Deferred tax assets	26	146,045	145,201	89,856
		1,596,153	**1,541,165**	**1,386,677**
Current assets				
Inventory	11	2,446,021	2,439,078	2,060,054
Trade and other receivables, net	12	1,655,628	1,959,486	1,124,832
VAT recoverable		147,324	154,253	50,549
Advances paid to suppliers, net	13	170,895	228,970	713,688
Short-term financial assets		50	6,542	71,367
Income tax receivable		147,912	143,195	121,252
Cash and cash equivalents	14	506,443	303,574	236,237
		5,074,273	**5,235,098**	**4,377,979**
Total assets		**6,670,426**	**6,776,263**	**5,764,656**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	28	7,953,765	7,953,765	7,230,687
Share premium	28	654,035	654,035	-
Treasury shares	28	-	-	(361,525)
Effect from reorganization of the Group under common control		(7,230,687)	(7,230,687)	(7,230,687)
(Accumulated deficit)/Retained earnings		(481,337)	5,312	758,038
		895,776	**1,382,425**	**396,513**
Non-controlling interest		-	-	321
Total equity		**895,776**	**1,382,425**	**396,834**
Current liabilities				
Short-term borrowings	17	2,985,954	2,900,000	3,690,000
Bonds payable	18	675,342	902,342	42,904
Trade payables	15	1,979,859	1,413,820	1,357,392
Other payables	16	50,576	61,319	75,799
Advances received		39,858	58,280	106,199
VAT payable		27,898	48,712	88,598
Other taxes payable	19	15,163	9,365	6,930
		5,774,650	**5,393,838**	**5,367,822**
Total equity and liabilities		**6,670,426**	**6,776,263**	**5,764,656**

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

OJSC RUSSIAN SEA GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Roubles)

	Notes	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Revised and restated)
Revenue	7	18,557,606	26,209,793
Cost of sales	20	(16,198,195)	(22,708,206)
Gross margin		**2,359,411**	**3,501,587**
Selling and distribution costs	21	(1,899,939)	(2,800,841)
General and administrative expenses	22	(537,999)	(777,373)
Other operating income	24	83,056	18,677
Other operating expenses	25	(28,807)	(113,796)
Interest income		2,692	76,769
Interest expense	17,18	(372,592)	(779,885)
Exchange (loss)/ gain		(58,876)	146,316
Loss before income tax		**(453,054)**	**(728,546)**
Income tax expense	26	(33,595)	(24,180)
Net loss for the period, being total comprehensive loss for the period		**(486,649)**	**(752,726)**
Attributable to:			
Owners of the parent		(486,649)	(752,726)
Basic and diluted loss per share (Russian Roubles)	27	**(6.12)**	**(10.15)**

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

OJSC RUSSIAN SEA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Roubles)

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Restated)
Cash flows from operating activities:		
Loss before income tax	(453,054)	(728,546)
Adjustments to reconcile loss before tax to cash generated from/(used in) operating activities:		
Depreciation of property, plant and equipment (Note 9)	139,517	138,110
Amortisation of intangible assets (Note 10)	1,897	1,321
Interest income	(2,692)	(76,769)
Interest expense	372,592	779,885
Foreign currency exchange (gain)/loss	58,876	(146,316)
Loss on disposal of property, plant and equipment (Note 25)	1,134	1,431
Inventory returns from customers, obsolete inventory write off and stocktake shortages (Note 21)	105,792	511,954
Reversal of allowance due to accounts receivable write off (Note 12)	(46,246)	(11,721)
Recognition of allowance for doubtful accounts receivable (Note 12)	8,277	-
(Reversal of allowance)/impairment of advances paid (Note 13)	(4,285)	84,343
Operating profit before working capital changes	**181,808**	**553,692**
Movements in working capital:		
Increase in inventory	(112,735)	(890,987)
Decrease/(increase) in trade and other receivables	248,624	(818,350)
Decrease/(increase) in VAT recoverable	6,929	(103,704)
Decrease in advances paid to suppliers	62,359	104,963
Increase in trade payables	524,242	88,871
Decrease in other payables	(23,936)	(13,345)
Decrease in advances received	(18,423)	(47,919)
Decrease in VAT payable	(20,813)	(39,886)
Increase in other taxes payable	5,798	2,434
Cash generated from/(used in) operations	**853,853**	**(1,164,231)**
Income tax paid	(39,155)	(118,397)
Interest received	96,838	52,410
Interest paid	(373,157)	(784,304)
Net cash generated from/(used in) operating activities	**538,379**	**(2,014,522)**
Cash flows from investing activities:		
Payments for property, plant and equipment	(204,609)	(226,653)
Proceeds from disposal of property, plant and equipment	6,019	7,390
Purchase of intangible assets	(5,081)	(8,763)
Loans given to third and related parties	(10,050)	(232,955)
Proceeds from repayments of loans given	23,521	581,213
Net cash (used in)/generated from investing activities	**(190,200)**	**120,232**
Cash flows from financing activities:		
Proceeds/(repayments) from bond issuance (Note 18)	(227,000)	878,881
Repayments of short-term loans	(3,200,000)	(5,900,000)
Proceeds from short-term loans	3,285,954	5,110,000
~~Proceeds from the additional issue of shares (Note 28)~~	~~-~~	~~723,078~~
Proceeds from public listing (Note 28)	-	1,032,490
Net cash (used in)/generated by financing activities	**(141,046)**	**1,844,449**
Net increase/(decrease) in cash and cash equivalents	**207,133**	**(49,841)**
Effect of exchange rate fluctuations on cash and cash equivalents	(4,264)	117,178
Cash and cash equivalents at the beginning of the year	**303,574**	**236,237**
Cash and cash equivalents at the end of the year	**506,443**	**303,574**

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

OJSC RUSSIAN SEA GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Roubles)

		Equity attributable to owners of the parent							
	Notes	Share capital	Share premium	Treasury shares	Effect from reorganization of the Group under common control	Retained earnings/ (accumulated deficit) (Restated)	Attributable to owners of the parent (Restated)	Non-controlling interest	Total equity
Balance at 30 June 2009		**7,230,687**	**-**	**(361,525)**	**(7,230,687)**	**758,038**	**396,513**	**321**	**396,513**
Additional issue and listing of shares in connection with IPO	28	723,078	654,035	361,525	-	-	-	-	1,738,638
Total comprehensive loss for the period		-	-	-	-	(689,709)	(689,709)	-	(689,709)
Disposal of non-controlling interest		-	-	-	-	-	-	(321)	(321)
Balance at 31 December 2010, as previously reported		**7,953,765**	**654,035**	**-**	**(7,230,687)**	**68,329**	**1,445,442**	**-**	**1,445,442**
Restatement (Note 3)		-	-	-	-	(63,017)	(63,017)	-	(63,017)
Balance at 31 December 2010 (Restated)		**7,953,765**	**654,035**	**-**	**(7,230,687)**	**5,312**	**1,382,425**	**-**	**1,382,425**
Total comprehensive loss for the period		-	-	-	-	(486,649)	(486,649)	-	(486,649)
Balance at 31 December 2011		**7,953,765**	**654,035**	**-**	**(7,230,687)**	**(481,337)**	**(895,776)**	**-**	**895,776**

The notes on pages 8 to 41 are an integral part of these consolidated financial statements.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

1. CORPORATE INFORMATION

These consolidated financial statements are prepared by open joint stock company Russian Sea Group. The principal activities of OJSC Russian Sea Group ("the Company") and its subsidiaries (jointly referred to as "the Group") are production and distribution of fish and seafood products. The production and selling companies of the Group are located in Russia. The Company is registered under the laws of Russia in St. Petersburg at 65 Dnepropetrovskaya Street. The Company's headquarter address is in Moscow at 4 Belovezhskaya Street, Western gate.

As of 30 June 2009 the sole shareholder of the Company was Corsico Ltd. registered under the laws of Cyprus. The Group's ultimate controlling party was Maxim Vorobiev, a Russian citizen who controlled a 99% interest in Corsico Ltd. On 16 April 2010, the Group placed 15 million shares in an IPO and obtained a listing on the Russian Stock Exchange (RTS) and Moscow Interbank Currency Exchange (MICEX), which subsequently merged into Micex-RTS stock exchange (Note 28). In July 2011 Corsico Ltd. has formed a strategic partnership with the Luxembourg-based investment fund, Volga Resources, to invest into Russian Sea Group. As part of this alliance Corsico Ltd. has transferred 61% of its shares to RSEA Holding Ltd, a company established in July 2011 for the purpose of this transaction. Currently the Group's ultimate controlling parties are Maxim Vorobiev, Russian citizen and Guennadi Timtchenko, Finnish citizen who fully own RSEA Holding Ltd. and control in equal parts 61% of the Group's shares. As of 31 December 2011, RSEA Holding Ltd. owned 61% of total share capital, 25% of shares were owned by individuals and 14% of shares were in free float.

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 23 April 2012.

The principal activities and entities of the Group as of 31 December 2011 and 31 December 2010 were as follows:

		Ownership and voting interest, %	
Name	**Principal activity**	**31 December 2011**	**31 December 2010**
OJSC Russian Sea Group	Holding/managing company	n/a	n/a
CJSC Russian Fish Company	Distribution	100	100
LLC Russian Sea Delivery	Distribution	100	100
LLC Russian Sea – Kaliningrad	Fish and seafood processing, distribution	100	100
CJSC Russian Sea	Fish and seafood processing	100	100
LLC Trout Farm Segozerskoye	Fish farming	100	100
LLC Russian Sea Aquaculture	Fish farming	100	100
RSEA CYPRUS LIMITED	No activity	100	-

All subsidiaries are registered in Russia except for RSEA CYPRUS LIMITED, which is registered in Cyprus in March 2011 for the export purposes..

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

These annual consolidated financial statements of OJSC Russian Sea Group for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company and its subsidiaries maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAS"). The statutory financial statements have been adjusted to present these consolidated financial statements in accordance with IFRS. These adjustments principally relate to valuation and depreciation of tangible fixed assets, certain valuation reserves, purchase accounting for business combinations and the resulting income tax effects.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates.

The consolidated financial statements have been prepared under the historical cost convention except items when IFRS requires accounting treatment other than historical cost accounting as disclosed in the accounting policies below.

These consolidated financial statements unless expressly indicated otherwise are presented in the national currency of the Russian Federation, the Russian Rouble, which is the functional currency of the Company and its subsidiaries.

2.2. Change of Reporting Period

Due to the management decision to change the Group's financial year end to 31 December in 2010 and previously issued consolidated financial statements for the eighteen-month period from 1 July 2009 to 31 December 2010, the amounts presented in the consolidated financial statements for the eighteen months ended 2010 were not comparable to the figures for the year ended 30 June 2009. For the same reason the prior period consolidated financial statements are not comparable with the consolidated financial statements for the year ended 31 December 2011. The decision to change the Group's reporting period was made by management for the purpose of synchronization of the preparation of RAS and IFRS financial statements, which will allow better use of finance staff resources and improved quality of the financial statements.

2.3. Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50 per cent of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interest at the end of the reporting period represents the non-controlling shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the combination. Non-controlling interest is presented as an equity item.

Acquisition of Subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of purchase consideration over the fair value of the Group's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired the difference is recognised directly in the statement of comprehensive income.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition of Subsidiaries from Parties under Common Control

Acquisition of subsidiaries from entities under common control are accounted for using the pooling of interest method. The assets and liabilities of the subsidiary transferred under common control are recorded at the carrying amounts of the transferring entity ("the Predecessor") at the date of transfer. Related goodwill inherent in the Predecessor's original acquisition, if any, is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

The financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

2.4. Cash and Cash Equivalents

Cash in the consolidated statement of financial position comprises cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.5. Trade and Other Receivables

Trade receivables, which generally are short term, are carried at original invoice amount less an allowance for any uncollectible amounts. Allowance is made when there is objective evidence that the Group will not be able to collect the debts.

2.6. Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.7. Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax (VAT) on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

VAT recoverable arises when VAT related to purchases exceeds VAT related to sales.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.9. Property, Plant and Equipment

Property, plant and equipment are stated at cost or deemed cost at the date of transition to IFRS (herein referred to as cost) less accumulated depreciation and impairment losses. Deemed cost was determined for land and buildings at 1 July 2006 by reference to their fair value through valuation by an independent appraisal company.

Depreciation is calculated on a straight-line basis. The depreciation periods, which represent the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	7-50
Plant and machinery	2-10
Other	3-7

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

Land is not depreciated.

The cost of repairs and maintenance is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of comprehensive income as incurred.

2.10. Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and borrowings.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

2.11. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. Income Taxes

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

Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities can be offset only if: (a) a Group entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.13. Intangible Assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets have a finite life and are amortised on a straight-line basis over the useful economic lives, which is estimated between 1 and 7 years for computer software licenses and 47 years for rights of land rent and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14. Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.15. Share capital

Ordinary shares are classified as equity.

2.16. Dividends

Dividends declared are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. Such dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorised for issue.

2.17. Treasury shares

The Company's equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

2.18. Revenue Recognition

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Collection is reasonably assured;
- Sales price to final customers is fixed or determinable;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are dispatched and legal title is passed.

Revenues are measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19. Expense Recognition

Expenses are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the period to which they relate.

2.20. Advertising Costs

Advertising costs are expensed when incurred.

2.21. Pension Costs

Under provisions of Russian legislation, social contributions are made through a special security tax ("SSC") calculated by the Group by the application of a regressive rate (from 30.2% to 2%) to the annual gross remuneration of each employee.

The Group allocates the SSC to three social funds (state pension fund, social and medical insurance funds), where the rate of contributions to the pension fund varies from 34% to 2% depending on the annual gross salary of each employee. The Group's contributions relating to SSC are expensed in the year to which they relate.

2.22. Foreign Currency Transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2.23. Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. The assets subject to such assessment are primarily property, plant and equipment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24. Impairment of Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its financial asset or group of financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. RESTATEMENT

Subsequent to issuance of the Group's consolidated financial statements for the eighteen months ended 31 December 2010, the Group's management discovered that certain expenses were not reflected in the consolidated financial statements for the eighteen months ended 31 December 2010 due to technical error and it was decided to restate the consolidated financial statements for the eighteen months ended 31 December 2010 to reflect those expenses in the appropriate accounting period.

The effect of the restatement of the consolidated financial statements for the eighteen months ended 31 December 2010 is summarized below:

Consolidated Statement of financial position:

	31 December 2010 Revised and restated	31 December 2010 As previously reported	Difference
Deferred tax assets	145,201	137,627	7,574
Trade and other receivables	1,959,486	1,952,847	6,639
VAT recoverable	154,253	157,192	(2,939)
Retained earnings	5,313	68,329	(63,017)
Trade and other payables	1,413,820	1,339,530	74,290

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

3. RESTATEMENT (CONTINUED)

Consolidated Statement of comprehensive income:

	For the eighteen months ended 31 December 2010 (Revised and restated)	For the eighteen months ended 31 December 2010 (Restated)	For the eighteen months ended 31 December 2010 As previously reported	Effect of restatement
Revenue	26,209,793	(26,209,793)	26,203,155	6,638
Cost of Sales (Note 4)	(22,708,206)	(22,688,784)	(22,688,784)	(19,422)
Gross margin	**3,501,587**	**3,521,009**	**3,514,371**	**(12,784)**
Selling and distribution costs	(2,800,841)	(2,800,841)	(2,739,771)	(61,070)
General and administrative expenses (Note 4)	(777,373)	(796,795)	(787,299)	9,926
Other operating expenses	(113,796)	(113,796)	(105,559)	(8,237)
Loss before income tax	**(728,546)**	**(728,546)**	**(656,381)**	**(72,165)**
Income tax expense	(24,180)	(24,180)	(33,328)	9,148
Net loss for the period, being total comprehensive loss for the period	**(752,726)**	**(725,726)**	**(689,709)**	**(63,017)**
Attributable to:				
Owners of the parent	(752,726)	(725,726)	(689,709)	(63,017)
Basic and diluted loss per share (Russian Roubles)	**(10.15)**	**(10.15)**	**(9.3)**	**(0.85)**

Consolidated Statement of Cash flows:

	For the eighteen months ended 31 December 2010 Restated	For the eighteen months ended 31 December 2010 As previously reported	Difference
(Loss)/profit before income tax	(728,546)	(656,381)	(72,165)
Operating profit before working capital changes	553,692	625,857	(72,165)
(Increase)/decrease in trade and other receivables	(818,350)	(811,711)	(6,639)
Increase in VAT recoverable	(103,704)	(106,643)	2,939
Increase in trade payables	88,871	14,581	74,290

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

4. RECLASSIFICATIONS

During 2011 the Group has conducted a detailed analysis of its expenditure with a view to improve classification of such expenditure between cost of sales and general and administrative expenses. As a result of such analysis it was concluded that depreciation of workshops in the amount of 19,422 should be viewed as cost of sales. Therefore certain comparative information, presented in the consolidated financial statements for the eighteen months ended 31 December 2010, has been reclassified to be consistent with the classification as of 31 December 2011.

The effect of the reclassifications made is as follows:

Consolidated Statement of comprehensive income

	For the eighteen months ended 31 December 2010 (Revised and Restated)	For the eighteen months ended 31 December 2010 (Restated)	For the eighteen months ended 31 December 2010 (As previously reported)	Reclassifications
Cost of sales	(22,708,206)	(22,708,206)	(22,688,784)	(19,422)
General and administrative expenses	(777,373)	(796,795)	(787,299)	19,422

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

5.1. New and revised Standards affecting presentation and disclosure

The Group has adopted the following new or revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Group's annual consolidated financial statement for the year ended 31 December 2011:

Standards and Interpretations	Effective for accounting periods beginning on or after
Amendments to IAS 24 "*Related Party Disclosures*"	1 January 2011
Amendments to IAS 27 "*Separate Financial Statements*"	1 January 2011
Amendment to IAS 32 "*Financial Instruments*"	1 January 2011
Amendment to IFRIC 14 – "*Prepayments of a Minimum Funding Requirement*"	1 January 2011
Amendment to IFRIC 19 – "*Extinguishing Financial Liabilities with Equity Instruments*"	1 January 2011
Improvements to IFRSs issued in 2010	1 January 2011

The adoption of these standards and interpretations did not have any material effect on the consolidated financial statements of the Group.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

5.2. New and revised IFRSs in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" – amendments enhancing disclosures about transfers of financial assets – effective for annual periods beginning on or after 1 July 2011, with earlier application permitted;
- IFRS 9 "Financial instruments issued in December 2009". The standard introduces new requirements for classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption;
- IFRS 10 "Consolidated Financial Statements" – effective for annual periods beginning on or after 1 January 2013;
- IFRS 11 "Joint Arrangements" – effective for annual periods beginning on or after 1 January 2013;
- IFRS 12 "Disclosure of Interests in Other Entities" – effective for annual periods beginning on or after 1 January 2013;
- IFRS 13 "Fair Value Measurement" – effective for annual periods beginning on or after 1 January 2013;
- IAS 12 "Deferred taxes: Recovery of Underlying Assets (Amendment)" – effective for annual periods beginning on or after 1 January 2012;
- IAS 19 "Employee Benefits (Amendment)" – effective for annual periods beginning on or after 1 January 2013;
- IAS 1 "Presentation of Financial Statements (Amendment)" – effective for annual periods beginning on or after 1 July 2012;
- IAS 27 – reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011) – effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own);
- IAS 28 – reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011) – effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

The impact of the adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by the Group's management and it is anticipated that the adoption of these standards and interpretations will have no material effect in the period of initial application. The Group will adopt the pronouncements listed above in the period starting on or after the date when they become effective.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management has made certain judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements.

The following are the key judgements concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6.1. Financial Conditions and Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realisation of assets and the liquidation of liabilities in the normal course of business.

In 2011 the Group continued to incur losses, which resulted in deteriorating financial position and declining liquidity. After reporting a loss of 752,726 for the eighteen months ended 31 December 2010, the Group started to implement cost cutting programs, and efforts to improve working capital management; as a result, a significantly reduced loss was reported for the year ended 31 December 2011, 486,649, and significant improvement in cash flows from operating activities was achieved. For the reporting period, the Group generated cash inflow from operating activities of 853,853 in comparison to a 1,162,656 cash outflow for the eighteen months ended 31 December 2010.

Despite these positive trends, the financial situation of the Group remains challenging, with current liabilities exceeding current assets by 700, 375.

The Group is due to repay short-terms loans amounting to 1,500,000 in July 2012, 1,400,000 by the end of September 2012 and short term bonds in the amount of 675,342 in June 2012.

Currently the Group is negotiating with VTB and Sberbank extensions of the terms of short-term loans with a longer maturity period.

The Group continues to look internally to improve the financial performance of its operations and the following measures are in the process of implementation:

(i) Improvement of working capital management (including extension of credit terms with foreign suppliers, implementation of better control over receivables collections, introducing new processes and analytics that will enable management to react to price changes in the volatile fish market and reduction of assortment positions with low margin) ;
(ii) Optimization of stock management in order to provide better control over stock shelf life and inventory write offs. Implemented actions in 2011 resulted in decreasing of stock write offs.
(iii) Starting from the previous period, management of the Group has implemented a cost reduction plan to cut overhead and operational expenses.
(iv) Implement price management solutions to improve profits for both segments.

The successful outcome of these actions is uncertain at this time.

The Group's ability to continue as a going concern is dependent upon certain events outside its direct control, including, but not limited to a successful refinancing of its loan obligations, public bond issue and continued improvements in profitability. All these facts together indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

6.2. Impairment of property, plant and equipment

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit (CGU). Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to an appropriate cash-generating unit, and also in estimating the timing and value of underlying cash flows within the value in use calculation. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause and timing and amount of the impairment. An impairment analysis is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

The cash-generating unit was defined by management at the level of the Group's operating companies – CJSC Russian Sea (further – CGU Russian Sea). CGU Russian Sea is the Group's ready-to-eat division, a producer of fish and seafood products sold under the "Russian Sea" brand. The main production facilities were built in 1998 in Noginsk (Moscow region) and modernized and expanded in 2008.

The methodology used by management for the determination of impairment of property, plant and equipment was based on the income approach. Below are the key assumptions used to determine the values of CGU Russian Sea using the income approach:

- The future cash flows are calculated on a CGU basis and are projected in RUR (nominal terms).
- The average projected increase in selling prices for about market conditions approximately by 18% in 2012 and thereafter on consumer price index (CPI) forecasts developed by the Russian Ministry of Economic Development.
- The average sales volume growth approximately by 14% in 2012.
- The projected gross margin of 24.1% in 2012.
- Selling expenses and general and administrative expenses are projected based on sales adjusted for inflation rates as provided by the Russian Ministry of Economic Development.
- Cash flow projections include capital expenditures required to maintain the projected production level.
- Weighted average cost of capital used is 15.5% nominated in RUR.

Due to significant uncertainty associated with the estimation of the impairment of property, plant and equipment, management performed a sensitivity analysis in respect of gross margin fluctuations. A decrease of gross margin from projected in 2012 level in the amount of 24.1% by 2.3% would result in impairment of property, plant and equipment.

Management believes that the assumptions used in the original impairment testing model are more probable and therefore no adjustment was reflected in these consolidated financial statements as a result of the alternative analysis.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

6.3. Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of the year ended 31 December 2011, allowances for doubtful accounts receivable have been created in the amount of 80,167 (for the eighteen months ended 31 December 2010–118,136) – Note 12.

6.4. Inventory Provision

The Group determines the provision for obsolete or slow moving items of inventories based on their expected future use and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of sale or distribution. Selling prices and costs of sell are subject to change as new information becomes available. Revisions to the estimates may significantly affect future operating results.

6.5. Litigation

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

6.6. Current Taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As of 31 December 2011 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

6.7. Deferred Tax Assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income of the respective tax type and in the respective jurisdiction. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that an assessment of future utilization indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognised in profit or loss.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

7. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has three reportable operating segments: (1) chilled and frozen fish distribution, (2) ready-to-eat fish and seafood products and (3) fish farming operating activities conducted by LLC Trout Farm Segozerskoye and LLC Russian Sea Aquaculture. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit. Segment profit is segment revenue less segment expense. Segment expense consists of cost of sales and selling and distribution costs.

The segments are determined based on internal reporting to the chief operating decision makers – the Management Board of OJSC Russian Sea Group.

Year ended 31 December 2011	Chilled and frozen fish distribution	Ready-to-eat fish and seafood products[1]	Fish farming	Eliminations	Group
Sales to external customers	14,486,671	4,052,141	18,794	-	18,557,606
Inter-segment sales	1,171,747	-	18,604	(1,190,351)	-
Total revenue	**15,658,418**	**4,052,141**	**37,398**	**(1,190,351)**	**18,557,606**
Segment profit[2]	**587,955**	**(121,858)**	**(4,308)**	**(2,317)**	**459,472**
General and administrative expenses					(537,999)
Other operating income					83,056
Other operating expenses					(28,807)
Interest income					2,692
Interest expense					(372,592)
Exchange loss					(58,876)
Loss before income tax					**(453,054)**
Segment assets	3,038,631	2,906,655	548,543	-	6,493,829
Unallocated assets					176,597
Total assets					**6,670,426**
Segment liabilities	4,643,904	1,022,218	92,301	-	5,758,423
Unallocated liabilities					16,227
Total liabilities					**5,774,650**
Depreciation and amortisation of fixed and intangible assets	3,047	131,832	6,534	-	141,413

[1] Including primary processing of salmon.
[2] Inter-segment sales are based on about 2.65 % mark up for the year ended 31 December 2011 (18 month 2010: 0.88%).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

7. SEGMENT INFORMATION (CONTINUED)

Eighteen months ended 31 December 2010 (Restated)	Chilled and frozen fish distribution	Ready-to-eat fish and seafood products	Fish farming	Eliminations	Group
Sales to external customers	20,504,255	5,705,538	-	-	26,209,793
Inter-segment sales	2,484,054	-	102,837	(2,586,891)	-
Total revenue	**22,988,309**	**5,705,538**	**102,837**	**(2,586,891)**	**26,209,793**
Segment profit	**853,090**	**(199,044)**	**(10,703)**	**57,403**	**700,746**
General and administrative expenses					(777,373)
Other operating income					18,677
Other operating expenses					(113,796)
Interest income					76,769
Interest expense					(779,885)
Exchange gain					146,316
Loss before income tax					**728,546**
Segment assets	2,758,218	3,528,627	258,475		6,545,320
Unallocated assets					230,943
Total assets					**6,776,263**
Segment liabilities	2,613,812	2,770,700	2,243		5,386,755
Unallocated liabilities					7,083
Total liabilities					**5,393,838**
Depreciation and amortisation of fixed and intangible assets	3,405	126,606	9,420		139,431

The Group considers that there is only one geographical segment – Russian Federation and does not present information on secondary segment.

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, and entities over which the Group has significant influence.

The nature of the related party relationships for those related parties with whom the Group entered into transactions for the year ended 31 December 2011 and for the eighteen months ended 31 December 2010 or had balances outstanding as of 31 December 2011 and as of 31 December 2010 is detailed below.

Balances with Related Parties:

	Loans receivable from related parties	Advances paid to related parties	Interest and other receivables	Cash and cash equivalents
31 December 2011				
Entities under common control (A)	-	-	-	7,003
Entities under common control (D)	-	674	-	-
Entities under common control (E)	-	-	73	-
Entities under common control (H)	-	-	276	-
31 December 2010				
Entities under common control (A)	-	-	-	8,802
Entities under common control (D)	-	1,703	-	-
Key management personnel (B)	11,980	-	1,048	-
Key management personnel (G)	-	-	970	-

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with Related Parties:

Description	Relationship	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010
Short-term loans provided to related parties	Entities under common control (C)	-	41,000
Short-term loans repaid by related parties	Parent entity (C)	-	62,367
	Entities under common control (C)	-	50,000
Long-term loans provided to related parties	Key management personnel (B)	-	19,250
Long-term loans and interests repaid by related parties	Key management personnel (B)	13,710	7,270
Bond redeemed	Entities under common control (I)	-	43,541
Short term loans received from related parties	Entities under common control (M)	300,000	
Short term loans repaid to related parties	Entities under common control (M)	300,000	
Interest accrued and paid on short-term loans	Entities under common control (M)	8,921	
Payment for disposed Royal Fish	Key management personnel (G)	970	-
Payment received from transaction with bonds	Entities under common control (F)	-	999,455
Payments received	Entity under common control (A)	1,810	-
Payments for services	Entity under common control (D)	6,100	-
Purchases	Entity under common control (D)	7,803	16,022
	Parent entity	-	617
Interest income	Entity under common control (C)	-	7,525
	Entity under common control (A)	11	269
	Parent entity (C)	-	716
	Key management personnel (B)	682	1,078
	Entities under common control (H)	-	12,309
Interest expense	Entities under common control (F)	-	14,146
	Entities under common control (J)	-	38,642
Other operating income	Entity under common control (E)	451	980
	Entity under common control (L)	534	-
	Key management personnel (G)	-	970
	Entity under common control (K)	99	-
	Key management personnel (K)	146	-
Payments for	Entity under common control (E)	380	-
	Entity under common control (L)	534	-
	Entity under common control (K)	99	-
	Key management personnel (K)	146	-

(A) Cash and cash equivalents represent current bank accounts denominated in EUR and US$.
(B) Long-term unsecured loan denominated in Russian Roubles provided to related party with maturity date in 2015 and an interest rate of 6.67% p.a.
(C) Short-term unsecured loans denominated in RUR provided to related parties with an interest rate of 11.5-14% p.a. in 2010.
(D) Purchases from entities under common control represent consulting services and purchase and rent of office equipment.
(E) Other operating income represents of office's rent.
(F) Transaction related to repurchase bonds by the related party in amount 973,000 units. Interest expense represents coupon expense on bonds repurchased.
(G) Transaction related to disposal of LLC Royal Fish.
(H) Transaction related to interest income on bonds re-issued to the related party.
(I) Transaction related to redemption of 42,699 from the related party.
(J) Transaction related to coupon expense accrued on bonds held by the related party.
(K) Ready-to-eat production sales.
(L) Transaction related to marketing expenses.
(M) Short -term loan denominated in RUR received from related parties with an interest rate of 11.8% p.a.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Compensation to Key Management Personnel

Key management personnel comprised 16 persons as at 31 December 2011 (31 December 2010: 15 persons). Total compensation to key management personnel, all of which represented short-term employee benefits (monthly payroll and bonuses), included in general and administrative expenses in the statement of comprehensive income amounted to 75,363 for the year ended 31 December 2011 (132,997 for the eighteen-month period ended 31 December 2010).

Shareholders of the Group

As of 31 December 2011 and as of 31 December 2010 the registered shareholders of OJSC Russian Sea Group and their respective ownership and voting rights were as follows:

	31 December 2011	31 December 2010
RSEA HOLDINGS LIMITED	61%	-
Members of Board of Directors	25%	20%
Free float	14%	19%
CORSICO IIMITED	-	61%
	100%	**100%**

All shares bear equal voting rights.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

	Land	Buildings	Plant and machinery	Other	Assets under construction	Total
Cost						
Balance at 1 January 2011	**8,716**	**518,970**	**661,414**	**322,718**	**120,821**	**1,632,639**
Additions	-	-	-	-	204,609	204,609
Disposals	-	-	(12,311)	(5,428)	-	(17,739)
Transfers	-	74,672	119,793	92,927	(287,392)	-
Balance at 31 December 2011	**8,716**	**593,642**	**768,896**	**410,217**	**38,038**	**1,819,509**
Accumulated depreciation						
Balance at 1 January 2011	-	**(46,872)**	**(203,721)**	**(45,901)**	-	**(296,494)**
Depreciation charge	-	(19,023)	(84,640)	(35,854)	-	(139,517)
Disposals	-	-	9,573	1,013	-	10,586
Balance at 31 December 2011	-	**(65,895)**	**(278,788)**	**(80,742)**	-	**(425,425)**
Net Book Value						
Balance at 1 January 2011	**8,716**	**472,098**	**457,693**	**276,817**	**120,821**	**1,336,145**
Balance at 31 December 2011	**8,716**	**527,747**	**490,108**	**329,475**	**38,038**	**1,394,084**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Plant and machinery	Other	Assets under construction	Total
Cost						
Balance at 1 July 2009	**8,716**	**151,248**	**449,724**	**110,200**	**700,122**	**1,420,010**
Additions	-	-	177,934	6,012	42,707	226,653
Disposals	-	(2,841)	(9,650)	(1,533)	-	(14,024)
Transfers	-	370,563	43,406	208,039	(622,008)	-
Balance at 31 December 2010	**8,716**	**518,970**	**661,414**	**322,718**	**120,821**	**1,632,639**
Accumulated depreciation						
Balance at 1 July 2009	**-**	**(35,160)**	**(102,763)**	**(25,663)**	**-**	**(163,586)**
Depreciation charge	-	(11,712)	(104,853)	(21,545)	-	(138,110)
Disposals	-	-	3,895	1,307	-	5,202
Balance at 31 December 2010	**-**	**(46,872)**	**(203,721)**	**(45,901)**	**-**	**(296,494)**
Net Book Value						
Balance at 1 July 2009	**8,716**	**116,088**	**346,961**	**84,537**	**700,122**	**1,256,424**
Balance at 31 December 2010	**8,716**	**472,098**	**457,693**	**276,817**	**120,821**	**1,336,145**

There were no idle or fully depreciated items as of 31 December 2011 and as of 31 December 2010.

Plant and machinery includes production equipment which is prepared for future installation in the amount of 28,308 (as at 31 December 2010: 68,751) and other machinery to be installed in the amount of 7,597 (as at 31 December 2010: 2,721). Buildings include premises and related equipment which are prepared for future installation in the amount of 22,202 (as at 31 December 2010: 22,022).

Production equipment, land and buildings with a carrying amount of approximately 294,234 and 383,566 respectively has been pledged as at 31 December 2011 (as at 31 December 2010: 254,270) to secure borrowings of the Group (Note 17).

10. INTANGIBLE ASSETS

	Rights of land rent	Computer software licenses	Total
Cost			
Balance at 1 January 2011	**41,186**	**18,924**	**60,110**
Additions	-	5,081	5,081
Disposals	-	-	-
Balance at 31 December 2011	**41,186**	**24,005**	**65,191**
Accumulated depreciation			
Balance at 1 January 2011	**(2,502)**	**(9,769)**	**(12,271)**
Depreciation charge	(875)	(1,021)	(1,896)
Disposals	-	-	-
Balance at 31 December 2011	**(3,377)**	**(10,790)**	**(14,167)**
Net Book Value			
Balance at 1 January 2011	**38,684**	**9,155**	**47,839**
Balance at 31 December 2011	**37,809**	**13,215**	**51,024**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

10. INTANGIBLE ASSETS (CONTINUED)

	Rights of land rent	Computer software licenses	Total
Cost			
Balance at 1 July 2009	**41,186**	**10,161**	**51,347**
Additions	-	8,763	8,763
Disposals	-	-	-
Balance at 31 December 2010	**41,186**	**18,924**	**60,110**
Accumulated depreciation and impairment			
Balance at 1 July 2009	**(1,181)**	**(9,769)**	**(10,950)**
Depreciation charge	(1,321)	-	(1,321)
Disposals	-	-	-
Balance at 31 December 2010	**(2,502)**	**(9,769)**	**(12,271)**
Net Book Value			
Balance at 1 July 2009	**40,005**	**392**	**40,397**
Balance at 31 December 2010	**38,684**	**9,155**	**47,839**

11. INVENTORIES

	31 December 2011	31 December 2010
Goods for resale	1,800,107	1,489,766
Finished goods	139,386	497,433
Raw materials	329,125	362,989
Work in progress	177,403	88,890
	2,446,021	**2,439,078**

Low-cost equipment included in raw materials in the amount of 1,425 was written-down and recognised as expenses of the year ended 31 December 2011 (for the eighteen months ended 31 December 2010: 28,152).

As of 31 December 2011 inventory in the amount of 1,253,775 (as of 31 December 2010: 770,126) was pledged (Note 17).

12. TRADE AND OTHER RECEIVABLES, NET

	31 December 2011	31 December 2010 (Restated)
Trade receivables	1,657,287	1,839,895
Other receivables	76,331	141,405
Interest receivable	2,177	96,322
Less: Allowance for doubtful accounts receivable	(80,167)	(118,136)
	1,655,628	**1,959,486**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

12. TRADE AND OTHER RECEIVABLES, NET (CONTINUED)

The following table summarizes the changes in the allowance for doubtful accounts receivable for the year ended 31 December 2011 and for the eighteen months ended 31 December 2010:

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010
Balance at the beginning of the year	118,136	129,857
Reversal of allowance due to accounts receivable write off	(46,246)	(11,721)
Recognition of allowance for doubtful accounts receivable	8,277	-
	80,167	**118,136**

Trade receivables are non-interest bearing and are normally settled within 90-120 days.

Included in the Group's total trade and other receivables are debtors with a carrying amount of 276,186 and 48,561 as of 31 December 2011 and 31 December 2010 respectively, which are past due at the respective reporting date and which the Group considers to be fully recoverable. The Group does not hold any collateral over these outstanding balances.

Maturity profile of trade and other receivables is summarised in Note 30.6.

13. ADVANCES PAID TO SUPPLIERS, NET

	31 December 2011	31 December 2010
Advances paid for raw fish and seafood	103,305	111,026
Advances paid for packaging materials	1,175	4,173
Other	146,473	198,114
Less: Impairment of advances paid	(80,058)	(84,343)
	170,895	**228,970**

14. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash in bank – Roubles	161,116	168,001
Cash in bank – US$ and Euro	5,220	64,922
Cash equivalents	340,107	70,651
	506,443	**303,574**

Balances with banks generally carry no interest.

Cash in banks include short-term, redeemable on demand deposits with original maturity of three months or less in the amount of 340,000 as of 31 December 2011 (as of 31 December 2010 – 70,000).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

15. TRADE PAYABLES

	31 December 2011	31 December 2010 (Restated)
Trade payables for raw fish and seafood	1,588,069	1,123,330
Trade payables for operational services	370,663	277,196
Trade payables for packaging materials	21,127	13,294
	1,979,859	**1,413,820**

The average credit period approximates 21 days. No interest is charged on the outstanding balance of trade payables during or after the credit period. Most part of trade payables is due within 60 days.

16. OTHER PAYABLES

	31 December 2011	31 December 2010
Payroll related payables	35,725	40,325
Interest payable	12,692	13,257
Other payables	2,159	7,737
	50,576	**61,319**

17. SHORT-TERM BORROWINGS

Short-term borrowings as at 31 December 2011 were denominated in Roubles and comprised the following credit facilities:

Bank and credit facility agreement	Outstanding balance as at 31 December 2011	Interest rate	Maturity Date	Credit facility limit
VTB				
Agreement N2735 dd. 1 April 2011	300,000	MosPrime3M + 4.5%	January 2012	300,000
Agreement N2735 dd. 1 April 2011	300,000	MosPrime3M + 4.5%	April 2012	300,000
Agreement N2735 dd. 1 April 2011	300,000	MosPrime3M + 4.5%	May 2012	300,000
Agreement N2735 dd. 1 April 2011	500,000	MosPrime3M + 4.5%	September 2012	500,000
Sberbank				
Agreement N1/78 dd. February 2011	300,000	MosPrime3M + 3.25%	August 2012	300,000
Agreement N2/78 dd. February 2011	300,000	MosPrime3M + 3.25%	July 2012	300,000
Agreement N3/78 dd. March 2011	250,000	MosPrime3M + 3.25%	July 2012	250,000
Agreement N784 dd. March 2011	290,000	MosPrime3M + 3.25%	July 2012	290,000
Agreement N785 dd. April 2011	360,000	MosPrime3M + 3.25%	July 2012	360,000
Rosselkhozbank				
Agreement 116300/0063 dd. December 2011	85,954	13.37%	June 2012	105,236
	2,985,954			

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

17. SHORT-TERM BORROWINGS (CONTINUED)

Short-term borrowings as at 31 December 2010 were denominated in Roubles and comprised the following credit facilities:

Bank and credit facility agreement	Outstanding balance as at 31 December 2010	Interest rate	Maturity Date	Credit facility limit
VTB				
Agreement N2441 dd. December 2009 as amended by additional agreement dd. 15 April 2010	1,400,000	MosPrime3M + 4.5%	3 June 2011	1,400,000
Sberbank				
Agreement N6/1 dd. February 2010	300,000	MosPrime3M + 3.25%	February 2011	300,000
Agreement N6/2 dd. February 2010	300,000	MosPrime3M + 3.25%	February 2011	300,000
Agreement N6/3 dd. February 2010	250,000	MosPrime3M + 3.25%	February 2011	250,000
Agreement N6/4 dd. March 2010	300,000	MosPrime3M + 3.25%	March 2011	300,000
Agreement N6/5 dd. March 2010	350,000	MosPrime3M + 3.25%	March 2011	350,000
	2,900,000			

As at 31 December 2011 the VTB credit facility was secured by a pledge of 595,320 shares (as at 31 December 2010: 404,818 shares) of CJSC Russian Sea and 1,245,358 shares (as at 31 December 2010: 607,144 shares) of CJSC Russian Fish Company. As at 31 December 2011 the Sberbank short-term credit facility was secured by a pledge of inventory (raw fish) in the amount of 1,174,519 (as at 31 December 2010: 770,126), by a pledge of production equipment in the amount of 294,234 (as at 31 December 2010: 254,270)and by a pledge of land and buildings in the amount of 383,566 (as at 31 December 2010: nil) (Notes 9 and 11). As at 31 December 2011 the Rosselkhoz credit facility was secured by a pledge of 269,100 shares of OJSC Russian Sea Group and inventory (smolt salmon) in the amount of 79,256 (as at 31 December 2010: nil).

Total interest expense for the reporting period is 372,592 (for the eighteen months ended 31 December 2010: 779,885).

Certain credit facility agreements also establish a minimal monthly credit turnover requirement for the Group's accounts with the creditor bank.

The loan agreements with VTB, Sberbank and Rosselkhoz establish certain financial covenants which should be maintained by the Group. As at 31 December 2011 the Group was in breach of 2 covenants ((Interest + Debt)/EBITDA and net profit), which are covered by the loan agreement with VTB. As a result of such noncompliance from 1 October 2011 the interest rate on the VTB loan was increased by 0.6%. In January 2012 partial repayment of 300,000 was made to VTB according to payments schedule and thereafter these amount were refinanced.

18. BONDS PAYABLE

In January 2010 the Group re-issued 1,181,000 non-convertible bonds, which were previously redeemed by the Group in June 2009, for 1,206,597 with realization of amortised premium in the amount of 25,597. The bonds are due on 14 June 2012, and bondholders have a put option exercisable every June during the period of circulation. Therefore the bonds are classified as current liabilities.

In June 2010, the Group pre-maturely redeemed 1,180,979 non-convertible bonds, at par for 1,180,979 and re-issued again 902,000 non-convertible bonds for 896,804 with the resulting amortised discount in the amount of 5,196. In June 2011, 227,000 bonds were repaid to bondholders in the amount of 227,230, from which 230 was the related coupon payment.

Interest on bonds is payable on a quarterly basis. Total interest accrued during the reporting period amounted to 85,225 (for the eighteen months ended 31 December 2010: 188,758).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

18. BONDS PAYABLE (CONTINUED)

The outstanding balances, coupon rates on the bonds payable and maturity dates are summarised below:

	Outstanding balance	Coupon rate	Maturity Date
As at 31 December 2011	675,342	12%	14 June 2012
As at 31 December 2010	902,342	10-18%	14 June 2012

19. OTHER TAXES PAYABLE

	31 December 2011	31 December 2010
Property tax and other taxes	4,804	5,124
Social security tax	10,359	4,241
	15,163	**9,365**

20. COST OF SALES

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Revised and Restated)
Cost of goods for resale	12,783,606	17,841,690
Materials and components used in production	2,769,570	4,093,896
Direct labour costs	264,855	380,456
Production overheads	261,818	268,670
Depreciation	118,346	123,494
	16,198,195	**22,708,206**

21. SELLING AND DISTRIBUTION COSTS

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Revised and Restated)
Transport	839,755	1,034,771
Labour costs	395,627	497,753
Warehouse rent	209,262	261,100
Advertising	175,697	157,550
Inventory returns from customers, obsolete inventory write off and stocktake shortages	105,792	511,954
Commission fees	23,392	57,612
Certification	22,634	47,196
Reversal of allowance due to accounts receivable write off	(46,246)	(11,721)
Recognition of allowance for doubtful accounts receivable	8,277	-
(Reversal of allowance)/impairment of advances paid	(4,285)	84,343
Insurance of goods in transit	1,508	2,754
Other	168,526	157,529
	1,899,939	**2,800,841**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Revised and Restated)
Labour costs	254,223	394,972
Rent and maintenance of buildings	49,886	70,117
Bank charges	32,700	63,252
Audit and consulting	31,087	57,150
Taxes other than income tax	27,005	23,167
Depreciation and amortization	23,068	15,937
Travel	19,177	25,513
Security	18,344	19,041
Communication services	9,793	18,921
Entertainment expenses	4,099	10,063
Other	68,617	79,240
	537,999	**777,373**

23. RETIREMENT BENEFIT PLANS

The statutory retirement age is 55 for women and 60 for men, in accordance with the Russian Labour Code.

The Group does not offer a private pension plan to its employees. In accordance with Russian tax legislation, the Group pays statutory social security tax (at maximum rate 30,2%). This tax is regressive and comprises social insurance, contributions to the State Pension Fund and the State Medical Fund. The total contribution paid to the State Pension Fund during the year ended 31 December 2011 and during the eighteen months ended 31 December 2010 was equal to 125,608 and 139,299 respectively. The Company has not reserved or accrued for pension, retirement or similar benefit obligations to Directors or senior executives. No Directors or senior executives have service contracts with the Company which offers them benefits upon termination of their respective appointments.

Total contributions for social security funds amounted to 148,476 during the year ended 31 December 2011 (for the eighteen months ended 31 December 2010: 180,086).

24. OTHER OPERATING INCOME

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010
Fines and penalties	39,756	10,122
Income from sub-rent	1,114	7,602
Other	42,186	953
	83,056	**18,677**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

25. OTHER OPERATING EXPENSES

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Restated)
Fines and penalties	14,647	20,749
Charity	1,986	56,855
Loss from disposal of property, plant and equipment	1,134	1,431
Other	11,040	34,761
	28,807	**113,796**

26. INCOME TAX

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Restated)
Income tax expense – current (a)	19,653	96,454
Effect from adjustment of income tax in share capital	-	(16,930)
Deferred tax charge – origination and reversal of temporary differences	(844)	(55,344)
Correction of last year tax expense (b)	14,786	-
Income tax expense	**33,595**	**24,180**

(a) Current income tax was computed by applying a 20% tax rate on taxable income in Russia.

(b) Additional income tax expenses accrued for the years 2009-2010 as a result of tax audit by the tax authorities.

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Restated)
Loss before income tax	(453,054)	(728,546)
Theoretical tax benefit at statutory rate	(90,611)	(145,709)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of expenses that are not deductible in determining taxable profit	122,565	167,801
Unrecognised deferred tax assets on losses carried-forward	4,774	11,809
Effect from adjustment of exchange gain from share capital	-	(15,517)
Other	(3,133)	5,796
Income tax expense	**33,595**	**24,180**

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2010 amounted to 207,933. No liabilities have been recognised in respect of these differences and it is probable that such differences will not be reversed in the foreseeable future.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

26. INCOME TAX (CONTINUED)

Movements in deferred tax balances were as follows:

	30 June 2009	Differences recognition and reversal	31 December 2010 (Restated)	Differences recognition and reversal	31 December 2011
Tax effects of deductible temporary differences – asset/(liability):					
Property, plant and equipment	(5,991)	(500)	(6,491)	1,674	(4,817)
Trade and other receivables	23,648	56,958	80,606	(63,689)	16,917
Inventories	21,347	(73,021)	(51,674)	61,027	9,353
Accruals	4,764	16,553	21,317	(27,198)	(5,881)
Tax losses carried forward	46,089	55,354	101,443	29,030	130,473
Total net deferred tax asset	**89,857**	**55,344**	**145,201**	**844**	**146,045**

The recognition and reversals of temporary differences primarily relates to the following:

- Depreciation of property, plant and equipment in excess of depreciation for tax purposes;
- Difference in accounting for retro-bonuses and discounts provided to customers between accounting and tax books;
- Impairment of trade receivables; and
- Difference in inventory valuation between accounting and tax books.

Deferred tax assets related to net operating losses incurred in the eighteen-month period ended 31 December 2010 amounted to 113,252, where management considered that deferred tax assets in the amount of 11,809 will not be utilized. Deferred tax assets related to net operating losses incurred for the year ended 31 December 2011 amounted to 135,247. The management considers that deferred tax assets in the amount of 4,774 will not be utilised and is confident that any remaining unutilised tax losses will be utilised in the future, as there is a 10-year carry-forward period before expiration. Deferred tax related to net operating losses incurred in the reporting period in the amount of 130,473 may be utilised till 2021.

27. LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The Group has no dilutive potential ordinary shares; therefore, the diluted loss per share equal basic loss per share.

Loss per share calculated for the periods are as follows:

	For the year ended 31 December 2011	For the eighteen months ended 31 December 2010 (Restated)
Weighted average number of ordinary shares outstanding	79,537,651	74,187,208
Loss for the year attributable to owners of the parent	(486,649)	(752,726)
Basic and diluted loss per share, Russian Roubles	(6.12)	(10,15)

27. LOSS PER SHARE (CONTINUED)

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of OJSC Russian Sea Group, calculated in accordance with statutory rules in local currency. No dividends were declared or paid during the year ended 31 December 2011 (and the eighteen months ended 31 December 2010) and subsequent to 31 December 2011 up to the date of authorization of these consolidated financial statements for issue.

28. SHARE CAPITAL AND EQUITY

As at 30 June 2009 the authorised and issued number of the Company's ordinary shares amounted to 72,306,874 with a par value of 100 Russian Roubles per share. All the issued shares were exchanged for the interests in the Group subsidiaries previously held by the Company's shareholder Corsico Ltd.

In November 2008 the Group acquired 3,615,254 of its ordinary shares for cash consideration of 415,758. The difference of 54,233 between par value of the treasury shares and consideration paid was recorded in retained earnings.

In April 2010 the Group held an initial public offering of its shares by listing its shares on the Russian Stock Exchange (RTS) and Moscow Interbank Currency Exchange (MICEX), which subsequently merged into Micex-RTS stock exchange. The offering consisted of 3,615,254 treasury shares and an offering by the shareholder of 11,384,746 of existing shares. Total quantity of shares issued to free float comprised 15,000,000 shares. Subsequently the Group issued to public investors 7,230,777 additional shares, each with a nominal value of 100 Russian Roubles per share. The additional ordinary shares issued have the same rights as the other shares in issue. The fair value of the listed shares amounted to 0.174 (US $6.00 per share).The related transaction costs amounting to 127,150 with tax effect 16,890 have been netted off with the deemed proceeds.

As a result of shares issues during the year 2010 share capital of the Group as of 31 December 2010 amounted to 7,953,765 comprising 79,537,651 shares and there were no changes as of 31 December 2011 and for the year then ended.

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

29.1. Russian Federation risk

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

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

The global financial turmoil has significantly affected Russia's economy. It has resulted in a decrease of Russia's GDP, significant declines in debt and equity prices and a substantial outflow of capital. Russia is also facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2011 and 31 December 2010 was 8.5% and 8,8%, respectively). Because Russia produces and exports large volumes of oil and gas, Russia's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2010 and 2011. The Russian government initiated the adoption of a package of federal laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Russia's economy, however at this stage there is no clarity with respect to efficiency of these measures.

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

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

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

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

29.2. Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change. Those changes are characterised by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments as a result, it is possible that the transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As at 31 December 2011 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Because of the uncertainties associated with the Russian tax and legal systems, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued as of 31 December 2011. Management's estimate of the amount of possible liabilities, including fines that could be incurred in the event that the tax authorities disagree with the Group's position on certain tax matters and certain tax practices used by the Group is 13,257 at 31 December 2011 (as at 31 December 2010:13,167). Should the Russian tax authorities decide to issue a claim and prove successful in the court, they would be entitled to recover the amount claimed, together with fines amounting to 20% of such amount and interest at the rate of 1/300 of the Central Bank of Russia rate for each day of delay for late payment of such amount.

Management believes that it is not probable that the ultimate outcome of such matters would result in a liability. Therefore, no provision for these contingencies was recorded in the accompanying financial statements.

29.3. Operating leases

The Group had no non-cancellable operating leases as at 31 December 2011 and 31 December 2010.

29.4. Capital expenditure commitments

The Group had no contracted capital expenditure commitments in respect of acquisition of property, plant and equipment as at 31 December 2011 and 31 December 2010.

29.5. Insurance Policies

The Group holds no insurance policies in relation to its property, plant and equipment, operations, or in respect of public liability.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

29.6. Environmental matters

The Group's management believes that it is in compliance with applicable legislation and is not aware of any potential environmental claims. Therefore, no liabilities associated with such costs are recorded as of 31 December 2011 and 31 December 2010.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1. Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	31 December 2011		31 December 2010	
	Fair value	Net carrying value	Fair value (Restated)	Net carrying value (Restated)
Financial assets				
Cash and cash equivalents (Note 14)	506,443	506,443	303,574	303,574
Trade and other receivables (Note 12)	1,655,628	1,655,628	1,959,486	1,959,486
Short-term financial assets	50	50	6,542	6,542
Loans given to related parties (Note 8)	-	-	11,980	11,980
Loans given to third parties	5,000	5,000	-	-
Financial liabilities				
Trade payables (Note 15)	1,979,859	1,979,859	1,413,820	1,413,820
Other payables (Note 16)	50,576	50,576	61,319	61,319
Short-term borrowings (Note 17)	2,985,954	2,985,954	2,900,000	2,900,000
Bonds payable (Note 18)	675,342	675,342	902,342	902,342

The fair value of financial assets and financial liabilities approximate their carrying amounts due to their short maturity and the fact that the impact of discounting of the long-term loans given to related parties to market rates of interest is not significant.

30.2. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank borrowings and cash and cash equivalents. The main purposes of these financial instruments are to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, short-term financial assets and trade payables, which relate directly to its operations. During the year the Group did not undertake active trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency exchange risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

30.3. Foreign exchange risk

As described below, the Group has substantial US$, Euro and Norwegian krone denominated trade payables. Therefore, the Group is exposed to foreign exchange risk.

The Group monitors the foreign exchange risk by following changes in exchange rates in the currencies in which its cash, payables and receivables are denominated. However, the Group does not have formal arrangements to mitigate this foreign exchange risk.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below shows the sensitivity to a reasonably possible change in the US$, Euro and Norwegian krone exchange rate, with all other variables held constant, of the Group's profit before tax:

	Increase / decrease in US$ rate	Effect on profit before tax, RR
At 31 December 2011		
US$/Roubles exchange rate	+10%	(144,930)
US$/Roubles exchange rate	-10%	144,930
At 31 December 2010		
US$/Roubles exchange rate	+10%	(92,415)
US$/Roubles exchange rate	-10%	92,415

	Increase / decrease in EUR rate	Effect on profit before tax, RR
At 31 December 2011		
EUR/Roubles exchange rate	+10%	(660)
EUR/Roubles exchange rate	-10%	660
At 31 December 2010		
EUR/Roubles exchange rate	+10%	(1,251)
EUR/Roubles exchange rate	-10%	1,251

	Increase / decrease in NOK rate	Effect on profit before tax, RR
At 31 December 2011		
NOK/Roubles exchange rate	+10%	(1,914)
NOK/Roubles exchange rate	-10%	1,914
At 31 December 2010		
NOK/Roubles exchange rate	+10%	(1,842)
NOK/Roubles exchange rate	-10%	1,842

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

	US$		EUR		NOK	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Assets						
Trade and other receivables	271,947	22,241	9,948	4,207	-	-
Cash and cash equivalents	4,688	64,239	532	683	-	-
Total assets	**276,635**	**86,480**	**10,480**	**4,890**	**-**	**-**
Liabilities						
Trade and other payables	(1,725,932)	(1,010,632)	(17,081)	(17,398)	(19,145)	(18,421)
Total net liabilities	**(1,449,297)**	**(924,152)**	**(6,601)**	**(12,508)**	**(19,145)**	**(18,421)**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30.4. Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates (Notes 17 and 18).

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by 37,763 (2010: decrease / increase by 38,023). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

30.5. 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 is substantially dependent on external funding of its working capital and therefore its operations may be adversely affected in the case of failure to negotiate with the credit institutions (banks) renewal and/or expansion of short-term credit facilities on a regular basis and such adverse effect may be significant.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments. The Group performs continuous monitoring of cash deficit risks and continuous monitoring of repayment of its financial liabilities on time. The Group performs annual, monthly and daily planning to control cash flows.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments including interest except for trade payables which normally have maturity periods shorter than 60 days.

31 December 2011

	Weighted average effective interest rate	Total	Less than 3 months	3 to 6 months	6 to 12 months
Short-term borrowings	9.4%	3,118,691	302,388	707,604	2,108,700
Bonds	11.13%	712,822	-	712,822	-
Total		**3,831,513**	**302,388**	**1,420,426**	**2,108,700**

31 December 2010

	Weighted average effective interest rate	Total	Less than 3 months	3 to 6 months	6 to 12 months
Short-term borrowings	7.9%	2,960,226	1,794,518	1,165,708	-
Bonds	16.5%	947,460	22,559	924,901	-
Total		**3,907,686**	**1,817,077**	**2,090,609**	**-**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Amount of short-term borrowings and bonds disclosed in the table above includes future interest expense on those loans and bonds in accordance with their contractual maturity, regardless of the fact of early repayment.

30.6. Credit Risk

Financial assets, which potentially are subject to credit risk, consist principally of trade receivables and short-term financial assets. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Sales to customers are made in accordance with annually approved Marketing and Credit policy. The Group regularly monitors sales and receivables conditions using effective internal control procedures. Short-term financial assets representing seasonal loans to fishing companies are provided upon investigation by the Group of the vendor solvency and reputation and upon passage of sufficient time since establishment of relations with them.

The carrying amount of accounts receivable, net of allowance for doubtful accounts receivable and the carrying amount of short-term financial assets, represents the maximum amount exposed to credit risk. Although collection of receivables could be affected by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

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

The table below summarises the Group's trade receivables ageing.

		Neither impaired	Not impaired but past due				
	Total	nor past due	less 1 month	1-2 months	2-3 months	3 to 6 months	> 6 months
31 December 2011	1,577,120	1,300,934	222,636	15,082	9,049	6,033	23,386
31 December 2010	1,721,758	1,673,197	18,833	6,094	3,656	2,438	17,540

The table below summarises the Group's short-term financial assets ageing.

		Neither impaired	Not impaired but past due				
	Total	nor past due	less 1 month	1-2 months	2-3 months	3 to 6 months	> 6 months
31 December 2011	50	50	-	-	-	-	-
31 December 2010	6,542	6,542	-	-	-	-	-

30.7. Concentration of credit risk

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of gross monetary assets at any time during the year.

The Group has no significant concentrations of credit risk but is exposed to general risk of the global credit crisis and its effects on the Group's customers.

30.8. Capital Risk Management

Capital represents residual value in the Group's net assets attributable to its stakeholders after deducting all liabilities. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

31. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through 23 April 2012, which is the date of issuance of these consolidated financial statements. As at the date when these consolidated financial statements were authorised for issue, no material subsequent events have taken place that would require disclosure in the consolidated financial statements except for those described below.

As described in note 17, in January 2012 partial repayment of 300,000 was made to VTB according to payments schedule and thereafter these amounts were refinanced by selling promissory notes with nominal value of 150,000 to SPB Oil with maturity period till April 2015 and credit facility with VTB in amount of 150,000.