



11 December 2012

Aurora Russia Limited (“Aurora Russia” or the “Company”)

Results for the six months ended 30 September 2012

- **The Board and the Manager are focused on ensuring optimal exits from the investee companies**
- **Continued strong growth in underlying companies**

Financial highlights

- Net asset value per share as at 30 September 2012 of 62.3p per share (Net asset value £70m) down from 66.8p per share at 31 March 2012.
- Cash and cash equivalents as at 30 September 2012 were £0.9m (£2.2m cash within the Group)

Portfolio highlights

OSG

- The Board has agreed to prepare OSG to be demerged from Aurora Russia and admitted to trading on the Alternative Investment Market of the London Stock Exchange following publication of its audited accounts for the financial year ending 31 March 2013.
- Revenues for the 6 months ended 30 September 2012 were £10.8m compared to £9.16m for the same period in 2011.
- EBITDA up 42% to £1.7m as at 30 September 2012
- Equity valuation of Aurora Russia's stake in OSG at 30 September 2012 was £29.9m compared to the valuation at 31 March 2012 of £28.2m

Unistream Bank

- Unistream's share in the Russia-outbound transfer market is estimated at 23% as at H1 2012
- Revenues for the nine month period ended 30 September 2012 were RUR 1.8bn, up 7% YoY
- PBT for the nine months to 30 September 2012 was RUR8.8 million up from RUR71m for the same period last year.
- Equity valuation of Aurora Russia's stake in Unistream at 30 September 2012 was £13.6m, compared to the valuation at 31 March 2012 of £16.3m

Superstroy

- Revenues grew by 10% YoY for the nine months ended 30 September 2012 to RUR7.1billion
- EBITDA of RUR302million
- Equity valuation of Aurora Russia's stake in Superstroy at 30 September 2012 was £14.3m, compared to the valuation at 31 March 2012 of £15m

Flexinvest and Kreditmart

- Flexinvest launched a new retail strategy with a credit card as its main loan product financed by retail deposits
- After a strategic review, the decision was taken to sell Kreditmart for a nominal price to stop its cash burn.
- As at 30 September 2012, Flexinvest and Kreditmart had £12.5m in net assets down from £15.1m as at 31 March 2012
- Equity valuation of Aurora Russia's stake in Kreditmart/ Flexinvest Bank at 30 September 2012 was £16.2m, compared to the valuation at 31 March 2012 of £15.1m

Commenting, Geoff Miller, Chairman of Aurora Russia, said:

“While I have concerns about the global economy, I am cautiously optimistic about the future for Russia and Aurora Russia’s investments. The oil price has remained strong and there is an expectation that this should continue to be the case, which provides stability for the Rouble and the Russian economy. There has been much discussion about diversifying the economy away from oil and Russia’s wealth of other natural resources, and although there has been some progress in this regard, Russia remains heavily dependent on its natural resources to drive its growth. Our investee companies should all continue to benefit from this growth which in turn should attract investors looking for exposure to expanding markets and companies in a year where we expect to realize value for our shareholders.”

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Chairman's Statement

Introduction

I am pleased to present the results of Aurora Russia Limited (the "Company" or "Aurora Russia") for the 6 months ended 30 September 2012.

Over the past six months we have been working with the Manager to secure exits for each of the investments in the portfolio in line with the wishes of shareholders. It appears that the market generally has improved and we are seeing a great deal more interest in our assets than at any time since I took over as Chairman.

I am pleased to announce that the Board has agreed to prepare OSG to be demerged from Aurora Russia and admitted to trading on the Alternative Investment Market of the London Stock Exchange following publication of its audited accounts for the financial year ending 31 March 2013. OSG has many features which make it a compelling candidate for a separate quotation on AIM, including an exceptional management team with a strong track record of organic growth and cash generation; a leading position in Russia and in other fast-growing eastern European markets; and a stable base of recurring contracted revenues from blue chip clients. Following a competitive pitch process, the Board has agreed to appoint N+1 Singer to advise OSG on its AIM admission and to act as Broker and NOMAD to OSG.

The Board has also been working with the Manager to secure interest for the remaining assets and in this regard has appointed Lincoln International to seek investors for Flex Bank. Although we still have nothing concrete to report in this regard, there is some interest being shown in the bank, but we expect that it will take some time before any transaction is completed. Regarding our minority stakes in Unistream and Superstroy, we have also been in discussions to dispose of these assets and I hope that before the Company's year-end results are announced we will have concrete news to report in this regard.

In addition to securing exits, it is critical that the Manager focuses on the performance of each of the companies in our portfolio. All of the companies are growing, details of which are in the Manager's Report. There has been a reduction in the value of the assets from £74.6 million to £71.0 million due primarily to further depreciation in the Rouble versus Sterling and in the valuation of comparative companies. The performance of our investee companies, both in absolute terms or relative to their peers, has been encouraging.

Results

For the 6 months to 30 September 2012, Aurora Russia recorded a loss of £3.1 million or 2.74p per share, calculated based on the unaudited condensed half year Company statement of comprehensive income. The net asset value ("NAV") of the Company as at 30 September 2012 was £72 million or 64p per share. This decline in value, which is detailed further below, derives largely from adverse stock market and currency movements. Cash and cash equivalents at 30 September 2012 were £0.9 million.

Administration and operating expenses of £13.3 million include Company costs of £0.94 million or 1.46% of the current NAV. Operating costs of the Company's wholly owned subsidiaries were £12.36 million.

The Annual General Meeting

I would like to take this opportunity to thank our shareholders for their support at the AGM on 3 October 2012 and the re-election of Gilbert Chalk and Grant Cameron to the board.

Investment Review

The Company has four remaining investments:

- 92.8% of OSG, a regional market leader in records management;
- 24.3% of Superstroy, one of the leading DIY retailers in Russia
- 26.0% of Unistream Bank, a leading Russian money transfer company; and
- 100.0% of Flexinvest Bank which provides retail banking services;

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

Portfolio Valuation

A valuation of the investment portfolio was performed at 30 September 2012, resulting in a decrease in value from £74.6 million to £71.0 million. This interim valuation, recommended by the Valuation Committee of the Board, was prepared by the Manager and formally adopted by the Board on 10 December 2012. These valuations are prepared for accounting purposes only and comply with the International Private Equity and Venture Capital Board's valuation guidelines. The resultant valuations of investments included in the Company's financial statements will not necessarily reflect the market value that a third party would be prepared to pay for these businesses.

The current valuation of Aurora Russia's shareholdings reflects changes to the previous year valuation performed for March 2012 as follows:

- the value of 92.8% of OSG's equity has increased by £1.7 million to £29.9 million, an increase of 6%;
- the value of the Company's 24.3% shareholding in Superstroy has decreased by £0.7 million to £14.3 million, a decrease of 5%;
- the value of the Company's 26.0% stake in Unistream Bank has decreased by £2.7 million to £13.6 million, a decrease of 16%; and
- the value of Flexinvest Bank and Kreditmart has decreased by £1.9 million to £13.2 million, a decrease of 12.5%.

It is important to note that over the period there was an approximately 6.5% unfavourable movement in the £/RUR exchange rate. Therefore the movement of values may be distorted by currency translation effects.

Outlook

While I have concerns about the global economy, I am cautiously optimistic about the future for Russia and Aurora Russia's investments. The oil price has remained strong and there is an expectation that this should continue to be the case, which provides stability for the Rouble and the Russian economy. There has been much discussion about diversifying the economy away from oil and Russia's wealth of other natural resources, and although there has been some progress in this regard, Russia remains heavily dependent on its natural resources to drive its growth. Our investee companies should all continue to benefit from this growth which in turn should attract investors looking for exposure to expanding markets and companies in a year where we expect to realise value for our shareholders.

Geoffrey Miller
Chairman of the Board
Aurora Russia Limited

Date: 10 December 2012

Investment Manager's Report

Overview

According to the World Bank, the Eurozone crisis continues to adversely affect global growth as well as growth in the Russian economy. It has recently revised its global GDP estimates downwards to 2.3% from 2.5% in 2012 and to 2.5% from 3% in 2013. It also revised its estimates for Russian GDP growth to 3.5% (in June, the forecast was 3.8%). It is predicting 3.6% growth for 2013, previously estimated at 4.2%. Despite these predictions, the portfolio companies continue to perform well growing revenues well in excess of Russian GDP.

Portfolio performance highlights:

- OSG continues to grow and for the first six months of its financial year 1 April 2012 to 30 September 2012 it showed an increase in revenues of 29% in local currencies and 19% in Pounds Sterling;
- For the nine months ended 30 September 2012 Unistream delivered 12% growth in volume from RUR97.7 billion (c. £1.95 billion) to RUR109.5 billion (c. £2.2 billion). However, its average revenue per transaction dropped from 1.72% to 1.64% and its profit before tax declined compared to 2011.
- For the nine months ended 30 September 2012 Superstroy grew its revenues at 10% however it did not open any new stores and therefore for the period its EBITDA grew from RUR45 million (c. £1 million) to RUR302 million (c. £6 million);
- For the nine months ended 30 September 2012 Flex Bank grew its credit card portfolio from RUR20.2 million to RUR508.1 million;
- Total portfolio valuation of £71.0 million, down 4.8% from March 2012 and 7.7% down from September 2011.

Our outlook for the rest of the company's financial year is generally optimistic on the performance of all our four companies based on their financial and operational performance year-to-date.

As detailed in the Chairman's Statement, OSG has agreed to appoint N+1 Singer to prepare OSG for admission to trading on AIM following the publication of its year end results. Having visited a number of brokers before making the final decision to appoint N+1 Singer, we were encouraged by the enthusiasm for OSG and the expectation that it will provide investors with an opportunity to invest into a growth company in a market whose growth is expected to outperform growth in Europe over the next five years.

Over the period, the Manager has focused on building value in the underlying investments and has been working with the Board to release value to investors. We are seeing an increased interest in all our portfolio companies and expect that we will deliver value to Aurora Russia's shareholders in the timeframe set out by the board.

OSG Records Management

In 2012 OSG continued its expansion and in October the number of items in storage crossed the four million mark showing 32% growth year-over-year. It took 12 months to grow from three million to four million items, while growing from two million to three million items took approximately 19 months.

OSG's management accounts for the half-year ended 30 September 2012 show an increase in revenues over the same period in 2011 of 19% from £9.2 million to £11.0 million. EBITDA grew year-over-year from £1.2 million to £1.7 million, an increase of 42%. The Company sees continued strong demand for records-management outsourcing in its major markets of Russia, Poland, Ukraine and Kazakhstan and looks forward to achieving strong double-digit growth over the medium term.

In order to minimise the cost of financing its growth, OSG has concentrated on securing loan financing as an alternative to the more expensive financial leases that it has used historically to finance the purchase of racking for its warehouses. During the first half of its reporting period ended 30 September, the company was able to raise an additional RUR80 million (c£1.7 million) of loan financing from a Russian bank to finance the purchase of racking systems for its class A warehouse facilities in Russia. OSG is in advanced discussions to secure long term loan financing.

The equity valuation of Aurora Russia's stake in OSG at 30 September 2012 was £29.9 million. This is net of the liability associated with the management options in OSG valued at £1.3 million and net of third party debt and financial leases less cash of £5.5 million. This valuation is an increase of 6% on the equity value as at 31 March 2012 of £28.2 million.

SuperStroy

Superstroy performed well for the nine months ended 30 September 2012. Based on the management accounts for the period, the company's sales grew year on year by 10% from RUR6.5 billion to RUR7.1 billion, and EBITDA grew to RUR302 million from RUR45 million over the same period in 2011.

EBITDA growth was driven primarily by strong gross margin growth from 28.6% to 30% and effective cost control management. During the first nine months of 2012 the company has renovated four stores adding 5,000 sqm of trade space. The company has achieved good results sourcing from China and Europe and expects to join the ARENA buying group (the leading worldwide DIY buying group) by the end of the year.

The equity valuation of Aurora Russia's stake in Superstroy at 30 September 2012 was marked down to £14.3 million, a decrease of 4.6% on the valuation at 31 March 2012 of £15.0 million. The movement in value is principally due to the depreciation of the Rouble against Sterling.

Unistream Bank

According to the Central Bank of Russia ("CBR") the volume of Russian outbound transfers in H1 2012 grew 16% over H1 2011. Russian inbound transfers in H1 2012 grew 23% over H1 2011. Based on these statistics, Unistream had approximately 15.0% of the outbound money transfer ("MT") market and 10.8% of the inbound MT market compared to the 16.9% and 9.7% respectively for the same period in 2011.

Unistream has now distributed approximately 1.6 million loyalty cards to its customers and has broadened its current network by entering the retail market, distributing its money transfer product through retail chains such as Megafon. Megafon operates 1,889 of its own retail stores in Russia which, including its agents, increases Unistream's retail footprint to a potential total of 4,000 retail outlets.

In the first nine months of 2012 volumes continued to grow at 12% from RUR97.7 billion to RUR109.5 billion. Total revenues were RUR1,792 million increasing 7% compared to the prior year period. For the first nine months of the year the company showed a small profit before tax of RUR8.8 million compared to a profit before tax of RUR68.0 million over the same period in 2011. The lacklustre profit before tax figure is primarily due to increased competition in the market, where competitors are focussed on gaining market share rather than profitability.

The equity valuation of Aurora Russia's stake in Unistream at 30 September 2012 was marked down to £13.6 million, a decrease of 16.0% on the valuation at 31 March 2012 of £16.3 million. The movement in principally is partly due to the depreciation of the Rouble against Sterling and the lower than expected profitability for the period.

Flexinvest Bank

Flex Bank's new strategy of taking deposits and issuing credit cards continues to be a success.

All of Flex Bank's credit card (Mastercard) customers are sourced through the internet with applications filled out on <http://www.flexbank.ru/>. The bank's credit card book net of reserves reached RUR508.1 million at 30 September 2012 up from RUR20.2 million at the beginning of 2012. Retail deposits reached RUR415.4 million at 30 September 2012 rising from RUR41.7 million at the beginning of 2012.

The bank has recently reviewed its funding strategy and not only is it funding its credit card book with retail savings deposits but it is now attracting corporate deposits as an alternative source of funding.

When valuing the bank, we adjust its assets to its fair value. As of 30 September 2012, Flex Bank had an adjusted book value of £13.2 million, down 12.5% from £15.1 million as of 30 September 2012. Assets at 30 September 2012 include: 1) a net mortgage book of £4.9 million; 2) a net credit card book of £9.8 million; 3) the banking licence valued at £3.1 million; 4) £2.0 million of cash and cash equivalents; and 5) other assets of £2.4 million. Liabilities at 30 September 2012 include customer accounts and deposits of £8.4 million, and other liabilities of £0.7 million. The movement in value is partly due to the depreciation of the Rouble against Sterling but also due to a distribution of cash to Aurora Russia.

In June this year £1.0 million of cash was repatriated to Aurora Russia to cover operating cash flow needs followed by £0.4 million of cash returned recently post the September balance sheet date. Due to its new business strategy Flex Bank's non-core mortgage book will be disposed of in due course with a portion of the proceeds transferred to Aurora Russia.

Conclusion

The period ended 30 September 2012 has seen growth in all of the investee companies and indications are that this will continue. Although the global economy remains uncertain, Russia remains a market where GDP growth is outstripping that of its European neighbours and good companies operating there should continue to show robust results in the year ahead.

Aurora Investment Advisors Limited
December 2012

Independent Review Report to Aurora Russia Limited

We have been engaged by the Company to review the unaudited condensed half year consolidated financial statements in the half year financial report for the six months ended 30 September 2012 which comprise the unaudited condensed half year consolidated statement of comprehensive income, the unaudited condensed half year company statement of comprehensive income, the unaudited condensed half year consolidated statement of financial position, the unaudited condensed half year company statement of financial position, the unaudited condensed half year consolidated statement of changes in equity, the unaudited condensed half year consolidated statement of cash flows and related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed set of consolidated financial statements.

This report is made solely to the Company, in accordance with the terms of our engagement letter dated 17 October 2012. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ('IFRS'). The unaudited condensed half year consolidated financial statements included in this half year financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the unaudited condensed half year consolidated financial statements in the half year financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements (UK and Ireland) ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed half year consolidated financial statements in the half year financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

KPMG Channel Islands Limited
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Date:

Unaudited Condensed Half Year Consolidated Statement of Comprehensive Income
For the 6 month period 1 April 2012 to 30 September 2012

	Notes	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000
Revenue		12,748	10,110
- Fees		378	286
- Storage		5,124	4,119
- Warehousing, transport, data processing & other		5,857	5,064
- Interest on long term mortgages and other loans		1,303	408
- Interest		86	137
- Dividends		-	96
Administration and operating expenses	3	(13,303)	(12,420)
Fair value movements on revaluation of investments	10	(3,398)	(13,351)
Exchange losses		(157)	(523)
Operating loss from continued operations		(4,110)	(16,184)
Interest expense		(919)	(413)
Loss from operations		(5,029)	(16,597)
Income tax expense	4	(65)	(163)
Loss for the period		(5,094)	(16,760)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(1,737)	(2,140)
Total comprehensive loss for the period		(6,831)	(18,900)
Loss attributable to:			
Owners of the Company		(5,090)	(16,739)
Non-controlling interest		(4)	(21)
Loss for the period		(5,094)	(16,760)
Total comprehensive loss attributable to:			
Owners of the Company		(6,741)	(18,862)
Non-controlling interest		(90)	(38)
Total comprehensive loss for the period		(6,831)	(18,900)
Basic and diluted loss per share		(4.52p)	(14.88p)

All items in the above statement derive from continuing operations.

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Unaudited Condensed Half Year Company Statement of Comprehensive Income

For the 6 month period 1 April 2012 to 30 September 2012

		1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000
	Notes		
Profit on part disposal of Flexinvest	14	766	-
Revenue		1	104
- Interest		1	8
- Dividends		-	96
Administration and operating expenses	3	(943)	(1,616)
Fair value movements on revaluation of investments	10	(2,966)	(13,600)
Exchange gains/losses		58	(55)
Operating loss before tax		(3,084)	(15,167)
Income tax expense		-	-
Loss and total comprehensive loss for the period		(3,084)	(15,167)
Basic and diluted loss per share		(2.74p)	(5.37p)

All items in the above statement derive from continuing operations.

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Unaudited Condensed Half Year Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	30 September 2012 £'000	31 March 2012 £'000
Non-current assets			
Goodwill	5	13,143	13,909
Other intangible assets	6	9,169	10,011
Plant and equipment	7	10,424	10,666
Investments at fair value through profit and loss	10	27,908	32,294
Loans and advances to customers	11	4,369	4,910
Deferred tax assets	4	4	7
		<u>65,017</u>	<u>71,797</u>
Current assets			
Investments		496	-
Trade and other receivables		6,194	5,057
Loans and advances to customers	11	10,747	3,892
Due from banks		613	302
Cash and cash equivalents		2,117	5,576
Assets classified as held for sale	8	709	725
		<u>20,876</u>	<u>15,552</u>
Total assets		<u>85,893</u>	<u>87,349</u>
Non-current liabilities			
Finance Leases		3,359	2,245
Interest bearing borrowings		-	719
Loans payable to investee companies	13	456	491
Deferred tax liability	4	1,708	1,839
		<u>5,523</u>	<u>5,294</u>
Current liabilities			
Customer accounts and deposits		8,356	1,497
Tax payable		756	872
Trade and other payables	12	6,922	8,599
		<u>16,034</u>	<u>10,968</u>
Total liabilities		<u>21,557</u>	<u>16,262</u>
Total net assets		<u>64,336</u>	<u>71,087</u>
Equity			
Share capital		1,125	1,125
Special reserve		84,073	84,073
Share options reserve		350	276
(Accumulated loss)/ Retained earnings		(19,758)	(14,668)
Non-controlling interest		631	715
Translation reserve		(2,085)	(434)
Total equity		<u>64,336</u>	<u>71,087</u>
Net asset value per share - basic and diluted		<u>57.2p</u>	<u>63.2p</u>

The accounts on pages 10 to 28 were approved by the Board of Directors on 10 December 2012 and signed on its behalf by:

Director

Director

Date: 10 December 2012

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Unaudited Condensed Half Year Company Statement of Financial Position

As at 30 September 2012

		30 September 2012 £'000	31 March 2012 £'000
Non-current assets	Notes		
Investment in subsidiaries - at fair value through profit and loss	9	43,100	43,300
Investments - at fair value through profit and loss	10	<u>27,900</u>	<u>31,300</u>
		<u>71,000</u>	<u>74,600</u>
Current assets			
Trade and other receivables		948	494
Cash and cash equivalents		<u>879</u>	<u>873</u>
		<u>1,827</u>	<u>1,367</u>
Total assets		<u>72,827</u>	<u>75,967</u>
Non-current liabilities			
Loans payable to investee companies	13	<u>456</u>	<u>491</u>
Current liabilities			
Trade and other payables	12	<u>324</u>	<u>344</u>
Total liabilities		<u>780</u>	<u>835</u>
Total net assets		<u>72,047</u>	<u>75,132</u>
Equity			
Share capital		1,125	1,125
Special reserve		84,073	84,073
(Accumulated loss)/ Retained earnings		<u>(13,151)</u>	<u>(10,066)</u>
Total equity		<u>72,047</u>	<u>75,132</u>
Net asset value per share - basic and diluted		<u>64.0p</u>	<u>66.8p</u>

The accounts on pages 10 to 28 were approved by the Board of Directors on 10 December 2012 and signed on its behalf by:

Director

Director

Date: 10 December 2012

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Unaudited Condensed Half Year Consolidated Statement of Changes in Equity

For the 6 month period 1 April 2012 to 30 September 2012

	Share Capital £'000	Special Reserve £'000	Share Options Reserve £'000	(Accumulated loss)/ Retained earnings £'000	Translation Reserves £'000	Total £'000	Non- controlling Interest £'000	Total £'000
For the period 1 April 2011 to 30 September 2011								
Balance as at 1 April 2011	1,125	84,073	128	4,015	(169)	89,172	673	89,845
Total comprehensive loss for the period								
Loss for the period	-	-	-	(16,739)	-	(16,739)	(21)	(16,760)
Other comprehensive loss for the period								
Foreign currency translation loss	-	-	-	-	(2,123)	(2,123)	(17)	(2,140)
Transactions with owners, recorded directly in equity								
Contributions and distributions to owners								
Recognition of share-based payments	-	-	55	-	-	55	4	59
At 30 September 2011	1,125	84,073	183	(12,724)	(2,292)	70,365	639	71,004
For the period 1 April 2012 to 30 September 2012								
Balance as at 1 April 2012	1,125	84,073	276	(14,668)	(434)	70,372	715	71,087
Total comprehensive loss for the period								
Loss for the period	-	-	-	(5,090)	-	(5,090)	(4)	(5,094)
Other comprehensive loss for the period								
Foreign currency translation loss	-	-	-	-	(1,651)	(1,651)	(86)	(1,737)
Transactions with owners, recorded directly in equity								
Contributions and distributions to owners								
Recognition of share-based payments	-	-	74	-	-	74	6	80
At 30 September 2012	1,125	84,073	350	(19,758)	(2,085)	63,705	631	64,336

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Unaudited Condensed Half Year Consolidated Statement of Cash Flows

For the 6 month period 1 April 2012 to 30 September 2012

	Notes	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000
Cash flows from operating activities			
Loss before tax		(5,029)	(16,597)
Interest income		(86)	(137)
Dividend income		-	(96)
		<u>(5,115)</u>	<u>(17,238)</u>
Adjustments for movements in working capital:			
(Increase) in operating trade and other receivables		(1,328)	(566)
Increase/ (decrease) in operating trade and other payables		432	(432)
Adjust for:			
Revaluation of investments	10	3,398	13,351
Recognised share-based payments		80	59
Exchange losses		140	427
Interest expense		919	413
Loss on property, plant and equipment written off		-	197
Depreciation and amortisation	6, 7	1,038	960
Provision for loan losses / (recoveries)		644	(4)
Increase in fair value of loan		(36)	-
Loss on loans sold		78	-
(Profit) on sale of assets classified as assets held for sale		(40)	-
Reserve for aged receivables		192	69
Interest paid		(40)	(13)
Taxation (paid) / rebate		(111)	8
Dividends received		-	96
Bank and loan interest received		(193)	539
Proceeds from sale of financial instruments at fair value through profit or loss		424	-
Increase in customer accounts		4,263	-
(Decrease) in due from banks		(311)	-
(Decrease) / increase in loans advanced to customers		<u>(7,383)</u>	<u>958</u>
Net cash outflow from operating activities		<u>(2,949)</u>	<u>(1,176)</u>
Cash flows from investing activities			
Disposal of Bonds		-	(744)
Proceeds from disposal of loans		260	-
Acquisition of plant and equipment		(983)	(204)
Proceeds on sale of assets classified as held for sale	8	164	43
Bank interest received		1	-
Increase in deposits		-	188
Net cash outflow from investing activities		<u>(558)</u>	<u>(717)</u>
Cash flows from financing activities			
Interest income - long term loans		3	-
Movement on intercompany short term loans		1,167	183
Financial lease payments - principal		(750)	(507)
Financial lease payments - interest		<u>(344)</u>	<u>(398)</u>
Net cash inflow / (outflow) from financing activities		<u>76</u>	<u>(722)</u>
Net decrease in cash and cash equivalents		<u>(3,431)</u>	<u>(2,615)</u>
Opening cash and cash equivalents		5,576	6,739
Effect of exchange rate changes		(28)	(20)
Closing cash and cash equivalents		<u>2,117</u>	<u>4,104</u>

The accompanying notes on pages 16 to 28 form an integral part of these consolidated financial statements.

Notes to the Unaudited Condensed Half Year Consolidated Financial Statements

For the 6 month period 1 April 2012 to 30 September 2012

1. General information

The consolidated financial statements of the Company and its subsidiaries ('the Group') are available upon request from the Company's registered office or at www.aurorarussia.com.

2. Accounting Policies

2.1 Basis of preparation

These unaudited condensed half year financial statements have been consolidated and prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and with applicable legal and regulatory requirements of Guernsey Law and the Alternative Investment Market of the London Stock Exchange ('AIM').

The condensed half year financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Aurora Russia Limited's audited annual report and financial statements for the year ended 31 March 2012.

2.2 Accounting period

The comparative numbers used for the condensed half year consolidated statement of comprehensive income, condensed half year company statement of comprehensive income, condensed half year consolidated statement of changes in equity and condensed half year consolidated statement of cash flows are that of the half year period ended 30 September 2011, which is considered a comparable period as defined per IAS 34. The comparatives used in the condensed half year consolidated and company statements of financial position are that of the previous financial year end, 31 March 2012.

2.3 Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed interim financial statements as those followed in the preparation of the Company's and Group's audited financial statements for the year ended 31 March 2012. The following standards, amendments to standards and interpretations, effective in future accounting periods, and which are relevant to the Company and the Group, have not been early adopted in these financial statements:

New standards:

- IFRS 9 Financial Instruments – for accounting periods commencing on or after 1 January 2015
IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets: amortised cost and fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 will be adopted for the first time for the year ending 31 March 2016 and will be applied retrospectively, subject to certain transitional provisions. The company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since all of the Group and Company's financial assets are designated at fair value through profit and loss.
- IFRS 10 Consolidated financial statements – for accounting periods commencing on or after 1 January 2013
IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. The impact of this standard on the financial statements of the Group has not yet been assessed.
- IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)
This standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable user to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the Group and Company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions. The impact of this standard on the financial statements of the Group has not yet been assessed

- IFRS 13: Fair Value Measurement for annual accounting periods beginning on or after 1 January 2013
IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The guidance includes enhanced disclosure requirements that could result in significantly more work for reporting entities. These requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones. IFRS 13 will be adopted for the first time for the year ending 31 March 2014 and will be applied retrospectively, subject to certain transitional provisions. The Company is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a material impact on the financial statements of the Group and Company.

Revised and amended standards:

- IAS 1 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
This amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. IAS 1 will be adopted for the first time for the year ending 31 March 2013. There is no significant impact on the financial statements as this amendment will only require additional disclosure.

- IAS 27 Separate Financial Statements (2011) supersedes IAS 27 (2008) and is effective for year-ends commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is not expected to have a material impact on the financial statements of the Company.

2.4 Revenue

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on deposits and on loans to customers is accrued on the effective yield basis. Dividend income from investments is recognized when the right to receive payment has been established, which is the last date of registration.

2.5 Segmental reporting

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

2.6 Investments

Unquoted investments, including investments in subsidiaries, are designated as fair value through profit or loss. Investments are initially recognised at fair value. The investments are subsequently re-measured at fair value, which is determined by the Directors on the recommendation of the Valuation Committee, utilising the International Private Equity and Venture Capital ('IPEV') Board's valuation guidelines. Unrealised gains and losses arising from the revaluation of investments are taken directly to profit or loss. Investments deemed to be denominated in a foreign currency are revalued in Pounds Sterling terms even if there is no revaluation of the investment in its currency of denomination.

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

The Group has taken advantage of the exemption available to it under IAS 28, 'Investments in associates' and is accounting for the investments in Unistream and Grindelia at fair value through profit or loss, which normally as a result of the size of the equity interest in these two companies would potentially qualify as associated companies and would be required to be equity accounted.

2.7 Impairment of tangible and intangible assets excluding goodwill

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

2.8 Intangible assets

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

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

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

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

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

2.9 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least at each reporting date or if there is an indication of impairment. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

2.10 Loans and advances to customers

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

2.11 Use of estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2012.

2.12 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000
3. Administration and operating expenses		
Company		
Investment management fee	478	886
Auditors' remuneration *	187	226
Directors' remuneration	84	94
Other operating and administrative expenses		
- Administration fees	35	35
- Professional fees	76	204
- Marketing Costs	33	52
- Other	50	119
	943	1,616
Kreditmart		
Other operating and administrative expenses		
- Professional fees	6	6
- Marketing costs	-	108
- Personnel	-	408
- Premises	-	72
- Depreciation	2	3
- Credit losses and LLP	5	(8)
- Other	5	272
	18	861
Flexinvest		
Auditors' remuneration	13	11
Directors' remuneration	67	73
Other operating and administrative expenses		
- Professional fees	42	42
- Marketing costs	25	4
- Personnel	448	406
- Premises	114	112
- Depreciation	51	35
- Credit losses and LLP	678	4
- Credit Card costs	324	52
- Other	178	112
	1,940	851
OSGRME		
Directors' remuneration	352	258
Share-based payments	80	59
Other operating and administrative expenses		
- Marketing Costs	111	116
- Personnel	3,698	3,435
- Operating lease expense	2,414	2,122
- Depreciation	986	921
- Repairs and maintenance	674	358
- Materials	561	522
- Transportation	323	269
- IT & Telecom	87	67
- Other	1,116	965
	10,402	9,092
Total for the Group	13,303	12,420

* Following the acquisition of OSG the Board of the Company have decided to meet the Group audit costs of its subsidiaries.

4. Tax

	1 April 2012 to 30 September 2012	1 April 2011 to 30 September 2011
Group		
Kreditmart		
Current tax charge / (credit)	1	(12)
	<u>1</u>	<u>(12)</u>
Flexinvest		
Current tax (charge) / credit	(14)	4
Deferred tax charge	-	(223)
	<u>(14)</u>	<u>(219)</u>
OSGRME		
Current tax charge	(78)	(64)
Deferred tax credit	26	132
	<u>(52)</u>	<u>68</u>
Net tax charge to the statement of comprehensive income	<u>(65)</u>	<u>(163)</u>

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

The Group is liable to pay tax at a rate of 20% (2011: 20%) arising on its activities in Russia.

The Group is liable to pay tax at a rate of 10% (2011: 10%) arising on its activities in Cyprus.

The Group is liable to pay tax at a rate of 19% (2011: 19%) arising on its activities in Poland.

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

The Group is liable to pay tax at a rate of 24% (2011: 24%) arising on its activities in Belarus.

Group

Kreditmart and Flexinvest	30 September 2012 £'000	30 September 2012 £'000	30 September 2012 £'000	31 March 2012 £'000
Deferred tax asset/(liability) comprises:	Assets	Liabilities	Net	Net
Investments	1	-	1	-
Loans to customers	-	(4)	(4)	(2)
Other assets	8	-	8	51
Other liabilities	14	-	14	(40)
Other	-	(15)	(15)	(2)
	<u>23</u>	<u>(19)</u>	<u>4</u>	<u>7</u>

The Flexinvest subsidiary has a calculated loss of £648,155 (2011: £1,027,941) for which no deferred tax asset has been recognised in the current year due to the uncertainty of the timing of taxable income against which the loss can be utilised.

OSG Records Management (Europe) Limited	30 September 2012 £'000	30 September 2012 £'000	30 September 2012 £'000	31 March 2012 £'000
Deferred tax liability comprises:	Assets	Liabilities	Net	Net
Finance leases	-	(486)	(486)	490

Intangibles	-	(1,222)	(1,222)	1,349
	<u>-</u>	<u>(1,708)</u>	<u>(1,708)</u>	<u>1,839</u>

Group deferred tax asset			<u>4</u>	<u>7</u>
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Group deferred tax liability			<u>(1,708)</u>	<u>1,839</u>
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5. Goodwill

Group	30 September 2012 £'000	31 March 2012 £'000
Opening balance	13,909	14,164
Effect of movements in foreign exchange rate	(766)	(255)
Closing balance	<u>13,143</u>	<u>13,909</u>

No impairment losses have been recognised in respect of these intangibles in the 6 month period ended 30 September 2012.

6. Intangible assets

	30 September 2012 £'000	31 March 2012 £'000
Cost:		
Opening balance	10,011	10,793
Exchange rate movements	(578)	(221)
Amortisation of intangibles	(264)	(561)
Closing balance	<u>9,169</u>	<u>10,011</u>

Reconciliation of intangibles

	Banking licence £'000	Internally generated software £'000	OSGRME Trademark £'000	Customer base - large £'000	Customer base - small £'000	Total £'000
Cost:						
At 1 April 2012	2,680	144	587	7,139	591	11,141
Exchange movements	(174)	(6)	(32)	(340)	(26)	(578)
At 30 September 2012	<u>2,506</u>	<u>138</u>	<u>555</u>	<u>6,799</u>	<u>565</u>	<u>10,563</u>
Amortisation:						
At 1 April 2012	-	(30)	-	(977)	(123)	(1,130)
Charge for the period	-	(7)	-	(228)	(29)	(264)
At 30 September 2012	<u>-</u>	<u>(37)</u>	<u>-</u>	<u>(1,205)</u>	<u>(152)</u>	<u>(1,394)</u>

Carrying amount:

At 30 September 2012	2,506	101	555	5,594	413	9,169
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Carrying amount:

At 31 March 2012	2,680	114	587	6,162	468	10,011
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The valuation of the banking licence was considered by the Valuation Committee and performed by Aurora Investment Advisors Limited, who are considered to have the necessary experience in valuing investments of this nature, and based on fair market values less costs to sell, it was determined that no impairment was required.

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

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

7. Plant and equipment

Group	Vehicles	Fixtures and fittings	Furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2012	1,537	9,503	2,088	13,128
Additions	239	573	311	1,123
Disposals	(19)	(30)	(17)	(66)
Exchange movements	(55)	(427)	(103)	(585)
At 30 September 2012	1,702	9,619	2,279	13,600
Accumulated depreciation:				
At 1 April 2012	(510)	(1,229)	(723)	(2,462)
Charge for the period	(169)	(382)	(223)	(774)
Disposals	18	25	17	60
At 30 September 2012	(661)	(1,586)	(929)	(3,176)
Net book value:				
At 1 April 2012	1,027	8,274	1,365	10,666
At 30 September 2012	1,041	8,033	1,350	10,424

The useful lives of the assets are estimated as follows:

Vehicles:

Trucks (included under vehicles)

7 years

Cars (included under vehicles)

5 years

Fixtures and fittings:

Fixtures and fittings

3-4 years

Warehouse equipment & racks

5-20 years

Furniture & equipment:

Office equipment

5-10 years

Furniture

5 years

Equipment

3 years

Hardware

2-5 years

8. Assets classified as held for sale

Group	30 September 2012 £'000	31 March 2012 £'000
At beginning of period	725	657
Additions	133	111
Disposals	(149)	(43)
- Proceeds	(164)	(43)
- Profit on sale	15	-
At end of period	709	725

Assets classified as held for sale are properties received after mortgage foreclosure. The assets are available for immediate sale in their present condition.

9. Investment in subsidiaries

Company	30 September 2012 £'000	31 March 2012 £'000
<i>OSG Records Management (Europe) Limited</i>		
At beginning of period	28,200	28,800
Fair value revaluation	1,700	(600)
At end of period*	29,900	28,200
<i>Kreditmart</i>		
At beginning of period	8,649	12,049
Fair value revaluation *	(1,266)	(3,400)
At end of period*	7,383	8,649
<i>Flexinvest Limited</i>		
At beginning of period	6,451	6,451
Sale of shares to KFML (6,158 shares) (refer to note 14 for further detail)	(462)	-
Sale of shares to KFML (2,463 shares) (refer to note 14 for further detail)	(172)	-
At end of period*	5,817	6,451
	43,100	43,300

* The revaluation performed on Kreditmart includes the value of Flexinvest Limited as at 30 September 2012, and as such, no revaluation was performed on Flexinvest Limited.

The Valuation Committee approves the valuations at each period/year end. The valuation of the subsidiaries and investments at 30 September 2012 and 31 March 2012 was performed by Aurora Investment Advisors Limited, whom the Valuation Committee considers to have the necessary expertise. Both were approved by the Valuation Committee.

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

1) Market Approach:

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

In the market approach, recent sales, listings of comparable assets and such other factors as the Board deems relevant are gathered and analysed. After identifying and selecting the comparable publicly traded companies, their business and financial profiles are analysed for relative similarity. Price or EV multiples of the publicly traded companies are calculated and then adjusted for factors such as relative size, growth, profitability, risk,

and return on investment. The adjusted multiples are then applied to the relevant element of the subject company's business.

All valuations of unquoted investments and investments in subsidiaries (collectively referred to as the "portfolio") were performed using either an enterprise value/revenue or enterprise value/EBITDA multiple (except for Kreditmart and Flexinvest where a Net Asset Approach i.e. adjusted net assets approach was used). 18.6%, by value at period end, of the portfolio was valued using adjusted net assets approach (31 March 2012: 21%) with the remaining 81.4% (31 March 2012: 79%) of the portfolio being valued using an enterprise value/revenue multiple and enterprise value/EBITDA multiple approach.

The key assumptions in the valuations were as follows:

- Liquidity discount: 15%-30% (31 March 2012: 15%-30%)

2) Income Approach:

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

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

Name of subsidiary undertaking	Country of incorporation	Class of share	% of class held at 30 September 2012	Principal activity
OSG Records Management (Europe) Limited	Cyprus	Ordinary	92.8%	Financing
OSG Records Management Center Limited Liability Company*	Russia	Ordinary	100.0%	
OSG Polska Limited Liability Company*	Poland	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Ukraine	Ordinary	100.0%	Document storage, data security and records management services
OSG Records Management Limited Liability Company*	Kazakhstan	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Armenia	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Bulgaria	Ordinary	100.0%	
OSG Records Management Limited Liability Company*	Belarus	Ordinary	100.0%	
Kreditmart Finance Limited	Cyprus	Ordinary	100.0%	Consumer finance
Flexinvest Limited	Cyprus	Ordinary	100.0%	Investment holding
Flexinvest Bank Limited**	Russia	Ordinary	100.0%	Banking and finance

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

** Flexinvest Bank is held directly by Kreditmart and Flexinvest and is an indirectly held subsidiary of the Company.

10. Investments - at fair value through profit and loss

	30 September 2012 £'000	30 September 2012 £'000	31 March 2012 £'000	31 March 2012 £'000
	Group	Company	Group	Company
Unistream Bank	13,600	13,600	16,300	16,300
Grindelia Holdings	14,300	14,300	15,000	15,000
Quoted investments	8	-	994	-
Total investments at fair value through profit and loss	<u>27,908</u>	<u>27,900</u>	<u>32,294</u>	<u>31,300</u>

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

	1 April 2012 to 30 September 2012 £'000	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000	1 April 2011 to 30 September 2011 £'000
	Group	Company	Group	Company
OSG Records Management (Europe) Limited (see note 9)	-	(1,700)	-	1,900
Unistream Bank	(2,700)	(2,700)	(3,800)	(3,800)
Grindelia Holdings	(700)	(700)	(9,500)	(9,500)
Quoted investments	2	-	(51)	-
Kreditmart and Flexinvest (see note 9)	-	(1,266)	-	(2,200)
Total unrealised (losses)/ gains	<u>(3,398)</u>	<u>(2,966)</u>	<u>(13,351)</u>	<u>(13,600)</u>

The valuation of the investments at 30 September 2012 and 31 March 2012 was performed by Aurora Investment Advisors Limited who is considered to have the necessary experience in valuing investments of this nature, and was approved by the Valuation Committee. The methods and assumptions used in determining the valuations of investments are discussed in note 9.

In the view of the Valuation Committee, the value of the investment in OSGRME, Unistream Bank, Grindelia Holdings and Kreditmart and Flexinvest Limited as at 30 September 2012 was estimated at £29.9 million (31 March 2012: £28.2 million), £13.6 million (31 March 2012: £16.3 million), £14.3 million (31 March 2012: £15 million) and £13.2 million (31 March 2012: £15.1 million) respectively, resulting in a decrease of the value of total investments from prior year.

11. Loans and advances to customers

	Group	
	30 September 2012 £'000	31 March 2012 £'000
Receivable within >1 year	4,369	4,910
Receivable within <1 year	10,747	3,892
Loans and advances to customers	<u>15,116</u>	<u>8,802</u>
Secured	5,352	5,927
Unsecured	9,764	2,875
	<u>15,116</u>	<u>8,802</u>

Reconciliation of impairment loss allowance on loans to customers:

Balance at beginning of the year/period	670	938
Movement in allowance for loan losses	440	(268)
	<u>1,110</u>	<u>670</u>

For secured loans, the mortgages are secured upon borrowers' private residences, are repayable in equal monthly instalments and mature between 2014 and 2038 (average maturity of 24.7 years). Interest is charged at fixed rates at an average annual interest rate of 11.82% (range between 10.5% and 14.9% depending on each borrower).

For unsecured loans and advances to customers for the Group, the interest rates are 31.8% and 31.83% on consumer loans and credit cards respectively.

12. Trade and other payables

	30 September 2012 £'000 Group	30 September 2012 £'000 Company	31 March 2012 £'000 Group	31 March 2012 £'000 Company
Finance lease	961	-	-	-
Expense and sundry accruals	3,308	324	3,366	344
Income Received in Advance	1,849	-	1,679	-
Short term loans payable	804	-	-	-
Amount due from customers	-	-	3,554	-
	<u>6,922</u>	<u>324</u>	<u>8,599</u>	<u>344</u>

13. Loans payable to investees

	30 September 2012 £'000 Group	30 September 2012 £'000 Company	31 March 2012 £'000 Group	31 March 2012 £'000 Company
Loans payable - Grindelia	453	453	489	489
Interest payable - Grindelia	3	3	3	3
Total	<u>456</u>	<u>456</u>	<u>491</u>	<u>491</u>

The loan payable to Grindelia is repayable with interest no later than 20 February 2015 and 37% of the loan balance attracts interest at a rate of 0.1% and the remaining 63% is repayable with interest at a rate of 0.01%.

14. Sale of Flexinvest shares to Kreditmart

	Group	
	30 September 2012 £'000	31 March 2012 £'000
Cost of Investment	634	-
Profit on sale	766	-
Proceeds on sale	<u>1,400</u>	<u>-</u>

Aurora Russia Limited transferred 6,158 shares of its investment in Flexinvest Limited to Kreditmart Finance Limited for a consideration of GBP 1,000,059 on 6 June 2012. The cash was received on 20 June 2012.

Aurora Russia Limited sold 2,463 shares of its investment in Flexinvest Limited to Kreditmart Finance Limited for a consideration of GBP 399,991 on 30 September 2012. The proceeds from the sale of shares has not yet been received at 30 September 2012 (proceeds were received 10 October 2012) and therefore an accrual has been raised. This accrual was eliminated upon consolidation. The Group's effective holding in Flexinvest has not changed due to the intercompany sale..

15. Segmental information

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

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

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

Kreditmart Finance Limited, Flexinvest Limited and Flexinvest Bank ("FIB") Limited (subsidiaries) disburse mortgage and consumer loans for private clients, place deposits, and render other services (money transfers, safe boxes).

The OSG Group consists of seven legal entities: OSG Records Management (Europe) Ltd (Cyprus), OSG Records Management Center (Russia), OSG Polska (Poland), OSG Records Management (Ukraine), OSG Records Management (Armenia), OSG Records Management (Bulgaria) and OSG Records Management (Kazakhstan). OSG Records Management (Europe) Ltd (Cyprus) is a parent company for OSG Group which owns 100% of shares of 7 operating units in Russia (being the largest operation), Poland, Ukraine, Kazakhstan, Armenia, Belarus and Bulgaria. The OSG Group provides records management services (document storage and other services) through its 100% owned operating subsidiaries. More than half of sales revenues are earned through providing document storage services. The remaining revenues come from the following warehouse services, transportation of documents; archive services, data processing services and destruction of documents and tapes. Approximately 70% of the operating income is derived from Russia, with the bulk of the remaining portion being derived from Poland.

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

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

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

	1 April 2012 to 30 September 2012 £'000	1 April 2012 to 30 September 2012 £'000	1 April 2012 to 30 September 2012 £'000	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000	1 April 2011 to 30 September 2011 £'000	1 April 2011 to 30 September 2011 £'000	1 April 2011 to 30 September 2011 £'000
	Aurora	Kreditmart/ Flexinvest/Fle xinvest Bank	OSGRME	Total	Aurora	Kreditmart/ Flexinvest/F lexinvest Bank	OSGRME	Total
Profit on disposal of Kreditmart	766	-	-	766	-	-	-	-
Revenue	1	1,814	10,933	12,748	104	847	9,159	10,110
- Fees	-	378	-	378	-	286	-	286
- Storage	-	-	5,124	5,124	-	-	4,119	4,119
- Warehousing, data processing, transport & other	-	-	5,857	5,857	-	-	5,064	5,064
- Interest on long term mortgages and other loans	-	1,303	-	1,303	-	408	-	408
- Loan Interest	-	51	(51)	-	-	30	(30)	-
- Bank interest	1	82	3	86	8	123	6	137
- Dividend income	-	-	-	-	96	-	-	96
Administration and operating expenses	(943)	(1,905)	(9,416)	(12,264)	(1,616)	(1,674)	(8,171)	(11,461)
- Depreciation and amortisation	-	(53)	(986)	(1,039)	-	(38)	(921)	(959)
- Interest expense	-	(412)	(507)	(919)	-	(15)	(398)	(413)
Fair value movements on revaluation of investments	(2,966)	2	-	(2,964)	(13,600)	(51)	-	(13,651)
- Kreditmart/Flexinvest/Flexinvest Bank	(1,266)	-	-	(1,266)	(2,200)	-	-	(2,200)
- Whitebrooks (OSG)	1,700	-	-	1,700	1,900	-	-	1,900
- Unistream	(2,700)	-	-	(2,700)	(3,800)	-	-	(3,800)
- Grindelia (SuperStroy)	(700)	-	-	(700)	(9,500)	-	-	(9,500)
- Quoted investments	-	2	-	2	-	(51)	-	(51)
Exchange gains/(losses)	58	(185)	(30)	(157)	(55)	(373)	(95)	(523)
Loss from discontinued operations	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(3,084)	(739)	(6)	(3,829)	(15,167)	(1,304)	(426)	(16,897)
Tax	-	(13)	(52)	(65)	-	(231)	68	(163)
	(3,084)	(752)	(58)	(3,894)	(15,167)	(1,535)	(358)	(17,060)

Reconciliation of segment loss to consolidated statement of comprehensive income	1 April 2012 to 30 September 2012 £'000	1 April 2011 to 30 September 2011 £'000
Total net segment loss	(3,894)	(17,060)
Adjustment for fair value movements on Kreditmart/Flexinvest/Flexinvest Bank and OSGRME	(434)	300
Elimination of profit on sale of Flexinvest	(766)	-
Net loss for the period for the Group	(5,094)	(16,760)

	30 September 2012 £'000	30 September 2012 £'000	30 September 2012 £'000	30 September 2012 £'000	31 March 2012 £'000	31 March 2012 £'000	31 March 2012 £'000
	Aurora	Kreditmart/ Flexinvest/ Flexinvest Bank	OSGRME	Total	Aurora	Kreditmart/ Flexinvest/ Flexinvest Bank	OSGRME
Total segments assets include:							
Investments in subsidiaries	43,100	-	-	43,100	43,300	-	-
Financial assets at fair value through profit or loss	27,900	8	-	27,908	31,300	994	-
- Unistream	13,600	-	-	13,600	16,300	-	-
- Grindelia (SuperStroy)	14,300	-	-	14,300	15,000	-	-
- Quoted investments	-	8	-	8	-	994	-
					-		-
Cash and cash equivalents	879	1,479	372	2,730			
Intangible assets	-	2,506	19,806	22,312	873	4,481	524
Property, plant and equipment	-	305	10,119	10,424	-	2,680	21,240
Assets classified as held for sale	-	-	-	-	-	351	10,315
Loans and advances to customers	-	15,116	-	15,116	-	8,802	-
Other assets	948	2,086	5,360	8,394	494	341	4,230
Segment assets	72,827	21,500	35,657	129,984	75,967	18,374	36,309
Total segment liabilities	(780)	(9,045)	(12,723)	(22,548)	(835)	(3,850)	(10,229)

Reconciliation of segment assets and liabilities to consolidated statement of financial position	30 September 2012 £'000	31 March 2012 £'000
Segment assets for reportable segments	127,973	130,649
Investment in subsidiaries	(43,100)	(43,300)
Elimination of intercompany accrued income	(400)	-
Elimination of intercompany loan	(591)	
Total assets for the Group	85,893	87,349
Segment liabilities for reportable segments	(22,548)	(14,914)
Deferred taxation adjustment on acquisition of OSGRME	-	(1,348)
Elimination of intercompany payable	400	-
Elimination of intercompany loan	591	
Total liabilities for the Group	(21,557)	(16,262)

16. Related party transactions

The Company has 4 direct subsidiaries, OSG Records Management (Europe) Limited, Kreditmart Finance Limited, Flexinvest Limited and Flexinvest Bank Limited (see note 9). Details of the investments in Unistream Bank and Grindelia Holdings are presented in note 10.

Balances owing between the Company and any subsidiaries which are related parties have been eliminated on consolidation. This includes a loan from Flexinvest Limited to Kreditmart Finance Limited as well as the loan between OSG and Flexinvest.

The Company pays fees to Aurora Investment Advisors Limited ('AIAL') for its services as investment manager and advisor. The total charge to the statement of comprehensive income during the period was £ 478,110 (6 month period ended 30 September 2011: £ 885,840). There were no outstanding fees at the period/year end.

Michael Hough, who is a director of Aurora Investment Advisors Limited, holds 100,000 (31 March 2012: 100,000) of the shares in Aurora Russia Limited as at 30 September 2012.

John McRoberts, who is a director of Aurora Investment Advisors Limited, holds 300,000 (31 March 2012: 300,000) of the shares in Aurora Russia Limited as at 30 September 2012.

Aurora Russia Investment Advisors Limited, holds 3,786,534 (31 March 2012: 3,970,841) of the shares in Aurora Russia Limited as at 30 September 2012.

Geoff Miller holds 250,000 ordinary shares (31 March 2012: 250,000); Gilbert Chalk holds 50,000 ordinary shares (31 March 2012: 50,000) and Tim Slesinger 14,310,977 ordinary shares (31 March 2012: 14,310,977) in the Company. Grant Cameron is a director of Investec Global Managed Fund, which held 510,000 shares as at 30 September 2012 (31 March 2012: 750,000) in the Company.

17. Contingencies and capital commitments

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

18. Events after the reporting date

On 10 December 2012, the Board approved in principle the demerger and admission to trading of OSG on the Alternative Investment Market of the London Stock Exchange and to appoint N+1 Singer, subject to contractual terms to be determined, to advise OSG on its AIM admission and to subsequently act as its broker and NOMAD.

No further material post balance sheet events were noted.