

**INVESTMENT COMPANY IC RUSS-INVEST**  
**ANNUAL REPORT**  
**2003**

**Dear shareholders:**

Stable political situation, an expansion of Russian economy and investment industry created favourable conditions for dynamic development of Investment Company IC RUSS-INVEST.

In 2003 our company continued successful operations in the securities market with concentration on dealing, brokerage, and depository operations. In the same time strong commitment of the company's management was to develop new businesses for the company. Last year the company began bond underwriting and made necessary efforts to obtain a licence from the Federal Securities Commission to provide services as a certified Financial Adviser on the securities market.

Also the company's executives concentrated on improvement of organizational structure and implementation of new managerial conceptions. Aiming to make the company more efficient in the period of fast growth, the shareholders adopted creation of a new collective board – Board of Administration. Additional departments were established to develop new projects.

In 2003 the assets of the company grew by 35.7% and reached 2968.3 million roubles while net income was equal to 753.7 million roubles. As for the size of the equity and net income, IC RUSS-INVEST has been on the list of top three Russian investment companies for the third consecutive year according to National Association of Securities Market Participants.

The strategic goal of the management is to build IC RUSS-INVEST as multifunctional investment company with a wide range services available for the clients. Therefore the company is expanding its business trying to increase the number of its clients, enhance the efficient management of its own capital, diversify business, and improve the internal structure.

Corporate management is the issue of our main concern. The company is committed to adhere to the Corporate Code recommended by Russian Government for the corporations. Today the Board of Directors has two independent directors. The Board of Directors approved dividend policy, created committees of the Board of Directors, and carried out other necessary actions to make the company one of the best in the area of corporate government.

We are grateful very much to our shareholders for the trust and support and will do our best to protect their interests and stir up the value of the company's shares.

Board of Directors of Investment Company IC RUSS-INVEST.

## **Background**

The joint-stock company “Investment Company IC RUSS-INVEST” was established on 3 December 1992 as a voucher investment fund. As early as January 29, 1993 the State Property Committee of the Russian Federation issued license # 58, which authorized the investment fund to operate at a stock market. The license was extended on 10 May, 1995 and then on 15 March, 1996. The Russian State Property Committee registered prospectuses of issues of new stocks on 1 February and 1 September, 1993.

In 1998 the joint stock CIF RUSS-INVEST was reorganized in the form of joint-stock company “Investment Company IC RUSS-INVEST” as new legislation requirements regulating joint-stock companies, investment funds, companies, and the stock market operations were put into force. On 30 December 1999 the Federal Commission for the Securities Market of Russia gave our company a brokerage – dealership license #000-02275-110000 valid for next three years. On December 2002, the company got brokerage – dealership license without limitation of validity and depositary license valid for the next three years.

In 1999 the company became a member of National Associations of Stock Market Participants (NAUFOR). After that the company became a member of stock market section at the Moscow Interbank Currency Exchange (MICEX) and joined Russian Trading System (RTS).

**Board of Directors**  
**of Investment Company IC RUSS-INVEST**

Chairman of the Board - Arutyunyan Alexander (born in 1959, graduated from Moscow State University, the Faculty of Economics, Candidate of Science in Economics, Master of Business Administration (Eastern College, USA), Vice-President and Head of Equity Department of IC RUSS-INVEST). The stake in the company's equity is equal to 0.0016%.

Deputy Chairman of the Board – Sumin George (born in 1961, graduated from Moscow Economic and Statistic Institute, Director of Siberian-Ural Registrar Centre). The stake in the company's equity is equal to 0.00032%.

Babko Elena – (born in 1955, graduated from All-Union Distance Polytechnic Institute, Administrator of Siberian-Ural Registrar Centre). The stake in the company's equity is equal to 0.00031%.

Bychkov Alexander – (born in 1961, graduated from Moscow State University, the Faculty of Economics, Doctor of Economics, Master of Business Administration (University of Chicago, Graduate School of Business, USA), President – General Director of IC RUSS-INVEST). The stake in the company's equity is equal to 0.0931%.

Gontcharenko Lyubov – (born in 1957, graduated from Moscow Finance Academy, Professor of Moscow Finance Academy). The stake in the company's equity is equal to 0.00002%.

Grashina Svetlana – (born in 1965, graduated from Moscow Economic and Statistic Institute, Senior Specialist of Siberian-Ural Registrar Centre). The stake in the company's equity is equal to 0.00029%.

Kapranova Lydia – (born in 1958, graduated from Moscow State Judicial Academy, Lawyer of Moscow City Association of Lawyers). The stake in the company's equity is equal to 0.00219%.

Teplyashina Svetlana – (born in 1971, graduated from Moscow Engineering and Construction Institute and Moscow Finance Academy, Vice-President and Head of Back-Office of IC RUSS-INVEST). The stake in the company's equity is equal to 0.00232%.

Tipunina Tatyana – (born in 1947, graduated from Moscow Aviation Institute, Deputy General Director of the Open Joint-Stock Company Beryezka v Luzhnikakh). Has no stake in the company's equity.

Compensation of the Directors is null.

**President**  
**of Investment Company IC RUSS-INVEST**

Bychkov Alexander – (born in 1961, graduated from Moscow State University, the Faculty of Economics, Doctor of Economics, Master of Business Administration (University of Chicago, Graduate School of Business, USA), President – General Director of IC RUSS-INVEST). The stake in the company's equity is equal to 0.0931%.

**Board of Administration**  
**of Investment Company IC RUSS-INVEST**

Bychkov Alexander – brief information is disclosed in the Board of Directors section.

Teplyashina Svetlana - brief information is disclosed in the Board of Directors section.

Karabanova Nelly – (born in 1941, graduated from Bauman's Moscow Higher Technical University and State Management Academy, Chief Accountant of IC RUSS-INVEST). The stake in the company's equity is equal to 0.000096%.

**Controlling Committee**  
**of Investment Company IC RUSS-INVEST**

Head of Controlling Commission - Rybnikova Natalia (born in 1964, graduated from Moscow Finance Academy, First Deputy Chief Accountant of IC RUSS-INVEST).

Korobeinikova Alexandra – (born in 1946, Head of Administrative Department of IC RUSS-INVEST).

Kuchmaeva Elena – (born in 1967, graduated from Moscow Textile Institute, Senior Specialist of IC RUSS-INVEST).

**Auditor**  
**of Investment Company IC RUSS-INVEST**

KPMG, has a license of Russian Ministry of Finance for auditing # E 003330 dated by January 17, 2003 valid five years from the date.

Address: 119019, Moscow, Gogolevsky Boulevard, 11. Tel.: 7-(095)-937-4477.

Baker, Tilly, Rusaudit, Ltd. has a license of Russian Ministry of Finance for auditing of stock exchanges, budget-connected funds, and investment companies # 009767 dated by June 9, 2001 valid for next three years.

Address: 129085, Moscow, Prospect Mira, 95. Tel.: 7-(095)-788-0906, 7-(095)-217-2329.

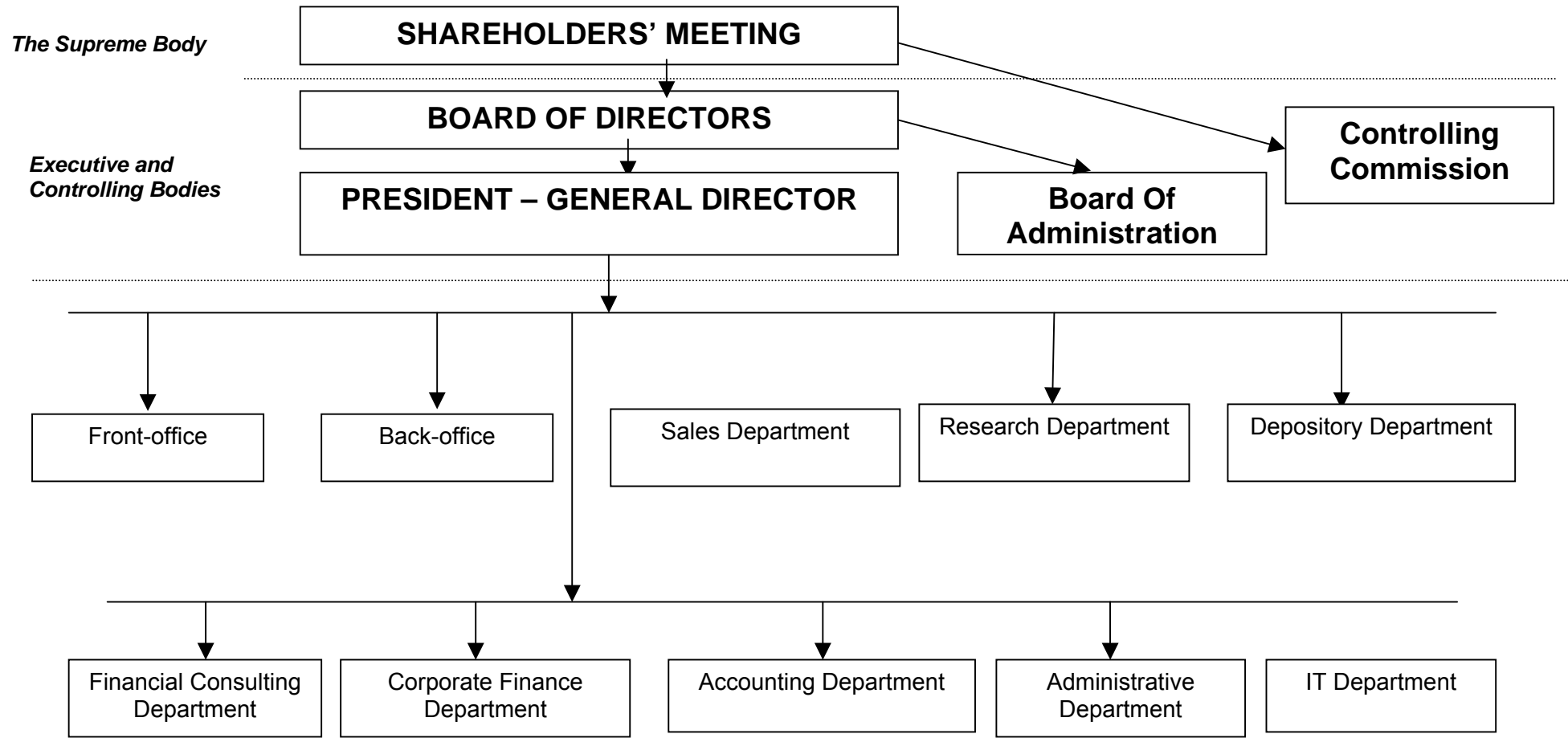
**Registrar**  
**of Investment Company IC RUSS-INVEST**

Closed Joint –Stock Company Siberian-Ural Registrar Centre has a license of Russian Federal Commission for the Securities Market # 10-000-1-00241 dated by February 9, 1999. Post address and reception of the shareholders: 117452, Moscow, Balaklavsky Prospect, 28b. Tel.: 7-(095)-318-1434.

**The shareholders of Investment Company IC RUSS-INVEST**

The company has 2244048 shareholders for January 1, 2004. There are 158 organisations among the shareholders.

**Scheme 1. ORGANIZATIONAL CHART**



## **Report of the Board of Directors**

In 2003 the Board of Directors primarily analysed the strategic development of IC RUSS-INVEST. As we already wrote in our previous annual reports, at a discussion of a strategic plan for 2003-2005 the management took a decision to transform IC RUSS-INVEST into a fully integrated investment company and to enhance the management of the company's capital. We have seen the progress in achieving these goals. Last year the company began to provide underwriting service and took necessary steps to obtain a license from the Federal Securities Commission for financial consulting. The company has been persistently improving internal infrastructure required for effective service of the clients. For those purposes we also created an Internet trading system.

Last year the Board of directors took a decision to increase the number of the committees from 2 to 4. All resolutions of AGM and decisions by Board of directors were accomplished by the end of 2003. According to the resolution of the AGM the company began to pay dividends for 2002 on the 1<sup>st</sup> of January, 2004.

In 2003 the Board of Directors regularly reviewed the reports of the President – General Director, reports of the heads of departments and the company's Controller. Such discussion helped the Board of Directors to control and analyse the results of the company's operations.

In July 2003 the Board of Directors approved the report on secondary public offering of Investment Company IC RUSS-INVEST (the state registration # 1-05-00409-A dated in Federal Securities Commission by April 22, 2003) equal to 13 997 363 common shares with nominal value of 1 rouble and increased the charter capital of the company by 11,195,000 roubles.

One of the main functions of Board of Directors is consideration of the company's financial plan and the budget for a new year. The financial plan and the budget for 2003 were fulfilled. Moreover, the management of the company made crucial efforts, which resulted in earning more net income that it was planned before the financial year. Current budget and plan for 2004 were developed with the surplus and make good provisions for another profitable year.

## **Investment Policy**

Company's shareholders provided a good start for a growth of our assets. Direct company's responsibility is to increase the assets expanding the strength of the company and shareholders income. That is why the company's top priority tasks are following:

- Development of clear investment principles.
- Determination of main markets for company's operations.
- Formation and maintenance of optimal structure and high liquidity of company's portfolio.
- Efficient money and assets management.
- Maximisation of company's profitability by minimizing the costs under accepted level of risk.

The specifics of company's activity do not allow it to impact or change its economic environment, but the company can adjust its operation to changing situation. The most competitive advantage is a proactive reaction of the company to rising threats and challenges using the strategy of motivated behaviour. Therefore the company is improving its business in two directions:

- Effectively manage its own capital;
- Provide its clients with a wide range of services.

In view of these tasks the company is engaged in dealing, brokerage, and depository operations. The management plans further to develop underwriting activity and to get a license from the Federal Commission for Securities Markets for trust operations and financial consulting.

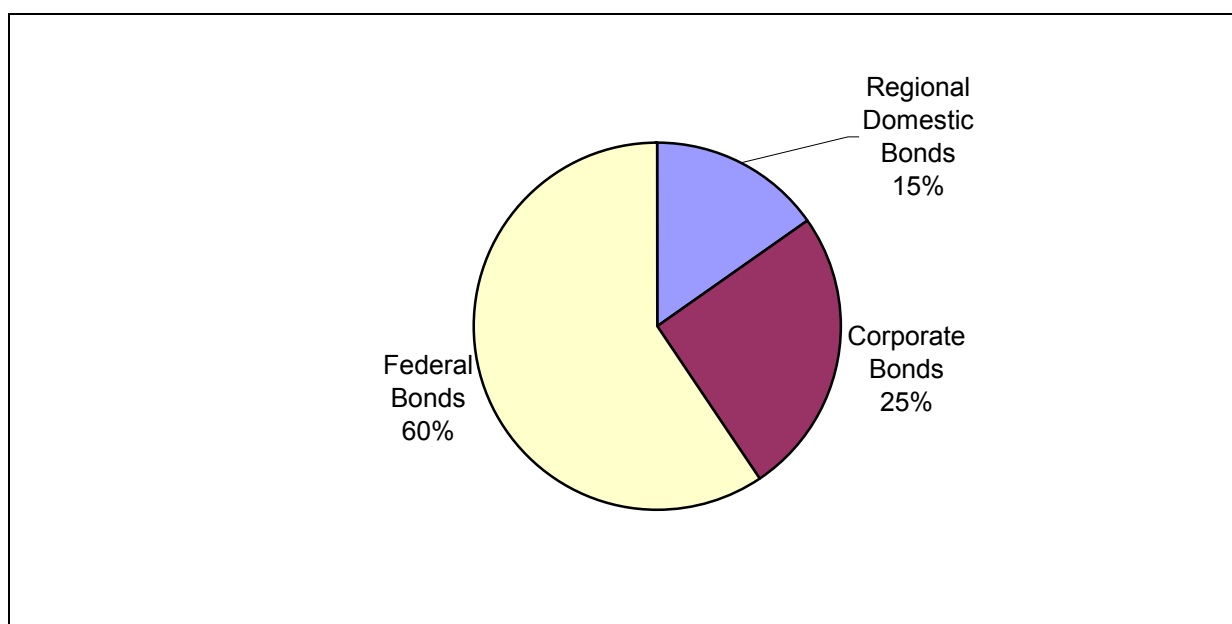
IC RUSS-INVEST keeps its solid position among the market participants. This proves that company's management created and fulfilled credible investment policy, which combined discerning strategy with flexible tactics. In any case our principle is still the same – to minimise the investment risk and portfolio management costs to provide a reasonable rate of return for our shareholders.

## Russian Capital Markets in 2003 and Investment Strategy of the Company.

### Treasury Market (GKO-OFZ).

In 2003 the treasury market in Russia had been developing with a help of such driven forces as federal budget surplus, stable rouble appreciation, growth of money supply, and foreign exchange and gold reserves. Those factors made attractive rouble assets and furthered a decrease of Russian treasury yields. As a result, the Ministry of Finance again cut net service of internal debt.

**Chart 1. The Structure of Rouble Bonds at the End of 2003.**



Source: MICEX.

The market size of rouble-nominated treasury bonds increased by 45% and reached 314.6 billion roubles. The activity of the dealers also rose considerably. Total treasury turnover at MICEX went up by 68% to 381 billions roubles. Average nominal yield had been cut from 13.5% to 7.8% p.a. during a year, while the duration increased from 478 to 983 days.

In general the development of treasury market in 2003 had two periods. In the first half of 2003 there was additional demand for the bonds promoted by huge inflow of exports receivables and short-term capital. The nominal yields slipped from 13-14% to 7-7.5% p.a. In the second half the yields stabilised at 7-8.5% p.a. and the market activity sharply fell. The main reason, which caused that reduction of the operations, was negative real yields.

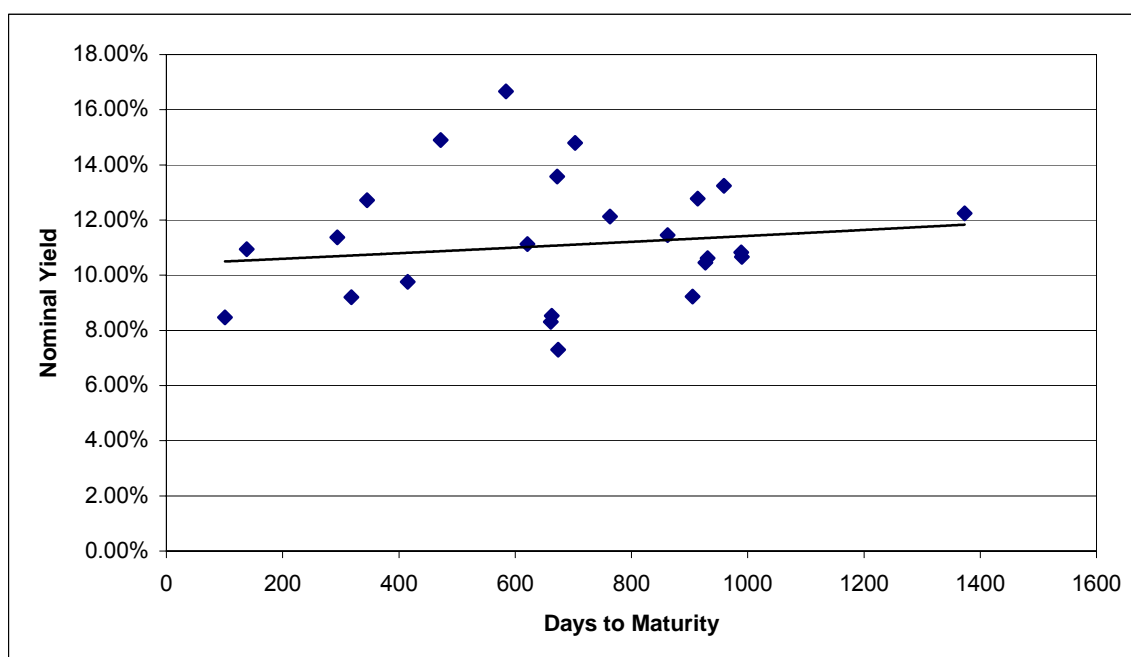
The Ministry of Finance conducted 28 auctions in 2003 and borrowed 111 billions roubles during initial offerings. One of the changes in the policy of the Ministry was the fall of additional treasury placement at the secondary market. The demand at the auctions was so big that the Ministry usually got acceptable level of the yield during auction and did not provided premium.

## The Corporate Bonds Market.

The market of corporate bonds, as a part of capital markets, promoted investments in real sector of Russian economy. In 2003 it rose rapidly due to:

- Favourable economic situation in the country.
- Growth of money supply.
- Fall of the interest rates.
- Real appreciation of the rouble.
- Growth of sovereign credit rating.

**Chart 2. Yield Curve and Dispersion of the Yields of Russian Corporate Bonds at the End of 2003.**



Source: MICEX.

At the end of 2003 more than 136 companies issued 152 types of bonds. The nominal value of bonds in circulation reached 159.7 billion roubles. Average monthly turnover was equal to 23 billion roubles. The nominal yield curve is presented at chart 2.

The nominal yields were falling until June 2003. Later price correction began, which lasted almost to the end of the year. That market plunge was caused by the reduction of yields below inflation and Yukos affair. However the assessment of investment rating to Russia provided serious support to the market and favoured further growth of the prices and fall of the yields.

## **Stock Market.**

The economic growth in Russia created favourable conditions for further growth of domestic stock market in 2003. Index of Russian Trading System (RTS) grew during 2003 from 360.79 points up to 567.25 points or by 57.22%. For comparison, in 2002 the growth of RTS Index compounded 34.1%. The leading global stock indices also demonstrated growth. However that increase was not so significant as the growth of all Russian indices. For example, NASDAQ index rose approximately by 48%, the Dow Jones Industrial Average (DJIA) Index went up by 24.7%, and British FTSE added 16.5% during last year.

The long-term fundamental factors, which positively influenced the stock market last year, were:

- Growth of the Gross Domestic Product (GDP).
- High world prices of raw materials and crude oil that provided a positive balance of payments.
- Growth of the foreign exchange and gold reserves and real (at the end of the year even nominal) appreciation of the rouble.
- Significant growth of the money supply and, consequently, high rouble liquidity.
- Drop of inflation and interest rates.
- Positive financial statements of Russian companies.

At the same time specific factors also affected the dynamic of the stock market. So, in the first half of the year the growth of the market, based on a favourable economic situation and fundamental undervaluation of Russian assets, was supported by sharp growth of crude oil prices inspired by war in Iraq. As a result, the stocks of oil companies Surgutneftegas, YUKOS, Sibneft, and Lukoil became growth leaders. Ferrous and nonferrous metal industries were also favourable sectors for investors in 2003. The stocks of Norilsk Nickel and Severstal were among the growth leaders. The stock price of GMK grew 3.3 times during the year and the share price of the steel company rose by 3.1 times. That result could be explained by low liquidity of the shares that represented so-called "second tier". The positive impact on the price growth also was rendered by a prompt price rise of non-ferrous metals and steel on the global market. That rises helped to improve the financial statements of metal companies.

The declaration of YUKOS and Sibneft merger was another important event, which promoted further growth of market capitalization of both Russian oil companies during the first half of the year. The shareholders of the companies agreed that YUKOS would buy 20% minus one share of Sibneft worth of 3 billion dollars and exchange 26.01 % of Yukos' shares for 72% of Sibneft's shares.

The period of spontaneous price rise of Russian shares in July was replaced by stagnation. The arrest of the Head of GROUP MENATEP, which was the largest shareholder of YUKOS, became formal occasion for downward price correction. However, market correction had already ripened, because the RTS index took the psychologically important level of 500 points at the beginning of

June. It is necessary to underline that the drop of the prices in July was short, and at the end of August new wave of market growth began. The anticipations of Russian credit rating increase by leading rating agencies of the world were met. In October one of the rating agencies, Moody's, increased a credit rating of Russia by two notches to a level Baa3 right away. Thus, Russia received an investment credit rating for the first time in its history.

**Chart 3. The Dynamic of RTS Index in 2000-2003**



Source: RTS

Despite those powerful factors of support, the growth of the market had not continued for a long period of time. Price collapse occurred at the end of October. The arrest of Mikhail Khodorkovsky, the head of YUKOS, was the main reason of the market plunge. For some time the events around the oil company became the main object of interest for investment community. However, the positive background, based on strong fundamental economic indicators, promoted gradual recovery of the market in December 2003.

As for the outlook of Russian stock market, it is necessary to point out that high growth rate of Russian economy, to our mind, is the key factor of financial market stability. According to its volume, Russian stock market is quite competitive in comparison with other emerging markets. The market capitalization of Russian companies grew from 120 up to 180- billion US dollars during last year. The combined capitalization of RTS was 143 billions US dollars as of 31 December, 2003, comprising 69 stocks. Some companies with large market capitalization are not present on RTS. We think domestic-oriented companies have the greatest growth potential among all sectors of Russian economy. Thus, first of all, our company selects the shares of telecommunication industry. The regional telecom companies remain undervalued by the fundamental ratios contrasted to the global peers and have good production growth prospects because of positive synergy affect arisen from their merger. Though the uncertainty connected with possible privatisation of Svyazinvest remains the regional

telecommunication companies remain one of the most attractive investment options in Russian market.

Meanwhile it is necessary to underline that there are several problems, which deter the development of Russian stock market. Low liquidity of the market, poor standards of corporate governance, lack of informational and financial transparency are some critical factors. But there are positive trends, as more and more top managers understand the importance of capitalization growth and its impact on profitability and financial ratios. Thus, we maintain positive outlook on portfolio investment in Russia for the nearest future.

### **Operations of the Company in 2003.**

#### **The Company and the Industry.**

Different types of investment intermediaries including licensed investment companies, unit investment funds, investment funds, commercial banks, pension funds, and insurance companies represent the investment industry in Russia. Investment Company RUSS-INVEST mainly conducts its operations as a broker and dealer on the stock market and, thus, watches closely the developments in the environment where investment companies operate in.

The positive economic development led to accelerated growth of financial market in Russia. The economic expansion helped real disposable income to grow up. As a result growing income of the population and companies increased the share of the gross income in the GDP and the investors began to buy more securities.

Thus, there was created positive environment for the growth of investment intermediaries in Russia. The financial analysis of income statements shows increased operational activity and profitability of Russian investment companies. Almost 80% of the turnover, assets, and capital of all investment companies belong to 100 largest Russian investment companies. Moscow and Moscow region is a base for majority out of 200 leading investment companies. In this situation keeping and improving market share is a prior duty for IC RUSS-INVEST. Current low level of capitalization of investment companies and their stated profitability favour the company to achieve these goals.

IC RUSS-INVEST has been operating in a highly competitive environment for the several years. The increase in financial intermediaries steps up the competition for savings and clients in the industry. Proactive approach of the company helped to strengthen the position in the market and became one of the leaders in term of profitability and capital and reserves. In accordance with NAUFOR data IC RUSS-INVEST concentrated 3.9% of total assets and 10.7% of capital and reserves of 150 biggest Russian investment companies by the end of the first 9 months of 2003. As for net income, the company became the third in the industry and accumulated 16.05% of net income of all Russian investment companies. The company moved ahead almost in all rankings of NAUFOR (table 1).

The contemporary period of industry development is characterized by severe rivalry. The companies struggle for new clients and lucrative ventures. Current abundance of liquidity is accompanied by the deficit of profitable financial instruments and projects. IC RUSS-INVEST plans to introduce new technologies, develop superior analytical support, and optimal brokerage tariffs for the purpose of better client service.

The main competitive advantage of the company is its stable financial position. As we can see in the table 2, IC RUSS-INVEST is well placed among leading investment companies in Russia, though they have vast clientele base. RUSS-INVEST is well-known as a reliable and responsible partner. The company maintains high standards of business ethics and establishes relations of partnership and mutual benefit with its partners.

**Table 1. The Rank of RUSS-INVEST among All Russian Investment Companies, (2001-2003).**

	2001	2002	2003
Sales (turnover)	82	77	67
Turnover on the exchange		40	35
Dealer's turnover		47	26
Assets size	23	5	7
Equity & Reserves	3	2	3
Profitability	3	1	3

Source: NAUFOR.

### **The Operations of the Company at the Securities Market.**

During past financial year the company conducted active operations with state and corporate bonds and shares on the Russian market. Practically all operations were concentrated on the stock exchanges and were carried out in a section of the stock market on MICEX, St.-Petersburg Exchange and Russian Trading System. Thus, last year the company several times was presented on the list of 50 largest operators in the stock section of MICEX.

The gross profit generated by Russian stock operations compounded 612.7 million roubles and was reduced more than three times compared with 2002 (see table 2). Such a sharp drop of the gross income is explained by the fact that in 2002 the significant part of the income was incurred after the sale of five percent stake of AutoVAZ, which were bought during privatisation on the voucher investment auction. Excluding the influence of this factor on gross income dynamic, we find stable growth of the gross income derived during regular stock market operations.

The company also increased corporate bonds turnover. At the end of 2003 the portfolio of the corporate bonds of IC RUSS-INVEST included 11 issues of 10 high-reliable companies. In contrast with the previous year the portfolio of the corporate bonds grew by 2.8 times. That growth was a logical result of the company's policy to change assets structure (decrease low profitable treasury

bonds and increase more profitable corporate bonds). The gross income (including accumulated coupon income), generated by the corporate bonds operations, compounded 54.2 million roubles and rose by 2.1 times compared with previous year.

**Table 2. The Structure of RUSS-INVEST Income by the types of assets.**

	2002	2003	Change, %
Stocks	1 988 976	612 737	-69.19%
Corporate Bonds	25 438	54 199	113.07%
State Bonds	46 568	44 371	-4.72%
Interest Income From Deposits	12 209	7 972	-34.70%
Minorities Income	5 557	12 391	122.98%

Source: RUSS-INVEST

In 2003 the company began to provide underwriting services and acted as a joint lead manager of 700 million roubles LOMO bond issue.

Compared with 2002 the GKO-OFZ portfolio slipped by 72.4%. The reduction of the GKO-OFZ portfolio was a result of the changes in the company's policy caused by falling of nominal yields below the rate of inflation. The gross income (with accumulated coupon yield) was equal to 44.4 million roubles and also reduced during a year by 4.7%.

The deposit operations were not regular and served the purpose of short-term investment of temporarily available money to provide high liquidity of the assets and their more effective use. The gross profit from deposit operations amounted to 7.9 million roubles and also diminished by 34.7% because of decrease of deposit operations and drop of the interest rates.

### **Financial Results.**

It is necessary to underline sharp growth of long-term financial investments in the structure of RUSS-INVEST's balance sheet, which was caused by the company's decision to make strategic investments. The growth of the retained earnings was also considerable. A large part of the net income that was not distributed in the form of dividends was left at company's disposal because the total distribution of income would decrease the equity and, thereby, sharply diminish the possibility to generate profits in the future.

The financial position of the company is stable according to financial ratios presented in table 3. The company still maintains high profitability of the economic activity. It is worth to mention that the return on equity in 2003 was equal to 27.5%. At the same time, it is necessary to explain a decrease in gross and net margins. That fall was caused by the general decline in interest rates (and the yields respectively) on Russian capital market due to stabilisation of the economic situation. The assets turnover remained at the level of 2002 and followed the growth trend during last four years. The company's liquidity is extremely high, proved by high coefficients of current and quick liquidity.

Debt ratio for the company is very low. There is no long-term debt at all, and the ratio of the financial leverage is equal to 8.4%. Some growth of the liabilities is explained by the fact that some dividends in 2000 were returned by the post as some shareholders failed to notify the register of the company in time about the change of their addresses.

Favourable financial position of the company is confirmed by growth of net earnings per share. EPS grew by 4.1 times within past four years. The book value of the shares increased by 3.3 times. Thus, the analysis of the financial ratios confirms the stable and balanced growth of the company in 2003.

**Table 3. Financial Ratios of IC RUSS-INVEST, 2000-2003**

	2000	2001	2002	2003
<b>Profitability</b>				
Gross Margin Ratio	48.6%	19.2%	39.2%	9.0%
Net Income Margin Ratio	14.6%	16.7%	29.6%	10.9%
ROE	22.5%	33.1%	69.8%	27.5%
ROA	15.9%	32.1%	68.8%	25.4%
<b>Asset Utilization Ratios</b>				
Total Assets Turnover	109.3%	192.2%	232.8%	232.1
<b>Liquidity Ratios</b>				
Current Ratio	3.3	28.1	65.4	11.2
Quick (Acid) Ratio	2.0	22.8	58.2	11.1
Cash Turnover	367.5	94.8	50.0	26.2
<b>Solvency Ratios</b>				
Debt Ratio (%)	29.3%	3.1%	1.5%	7.8%
Debt-to-Equity Ratio (%)	41.4%	3.2%	1.5%	8.4%
<b>Market value ratios</b>				
EPS (US dollars)	0.09	0.16	1.06	0.37
Divided yield (%)	151.0%	0.0%	350.0%	175.0%
P/E	0.4	0.2	0.03	0.1
Book Value	0.40	0.48	1.51	1.33
P/BV	0.09	0.07	0.02	0.03

Source: IC RUSS-INVEST

### **Transactions, in relation to which an interest exists.**

During last year the board of directors of IC RUSS-INVEST approved three transactions with interested parties:

1. Supplement to the contract between IC RUSS-INVEST and CJSC "Naschokin" as of November 29, 2002 about leasing the premises for the period of 11 months (protocol № 8/03-04 as of September 23 2003). The beneficiary person is a member of the board of directors Teplyashina S.M., being at the same time the general director of CJSC "Naschokin". Total amount of the transaction is 220.84 thousand roubles.
2. The contract of purchasing of equipment between IC RUSS-INVEST and CJSC "Naschokin" as of September 26, 2003 (protocol № 8/03-04 from September 23 2003). The beneficiary person is a member of the board of directors of the directors Teplyashina S.M., being at the same time the general director of CJSC "Naschokin". Total amount of the transaction is 4.358 thousand roubles.

3. The contract between IC RUSS-INVEST and CJSC "Naschokin" as of November 26, 2003 about renting the office space for the period of 11 months (protocol № 11/03-04 as of November 26 2003). The beneficiary person is a member of the board of directors Teplyashina S.M., being at the same time the general director of CJSC "Naschokin". Total amount of the transaction is 221.9 thousand roubles (for the period from 29.11.2003 to 31.12.2003).

### **The dividends.**

In 2000 the company paid dividends of 1.51 rouble per common share or 151% p.a. The total sum of the dividends paid to the shareholders amounted to 67.2 million roubles, and 49.65 million roubles were paid by the beginning of 2003 (payments returned by the post not included). Some dividend payments were returned to the company, as some shareholders did not provide RUSS-INVEST's registrar with their changed personal details.

In 2001 the company did not pay the dividends.

In 2003 the annual general meeting of the shareholders took a decision to pay dividends equal to 3 rouble 50 kopecks per one common share for 2002. The total amount of the paid dividends compounded 195.97 million roubles. According to the charter of company, the payments of the dividends have begun since January 1, 2004.

**Table 4. The Dynamics of IC RUSS-INVEST's Dividends.**

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002
Dividends per share (denominated roubles)	1,42028	0,1341	-	-	-	-	1.51	-	3.5

Source: RUSS-INVEST

As for 2003, the AGM recommended to the annual general meeting of the shareholders to pay the dividends of 1 rouble 75 kopecks per one common share, which has a nominal value of 1 rouble. The total amount of the paid dividends compounded 122.48 million roubles. According to the charter of company, the payments of the dividends have begun since January 1, 2005.

### **Current Risks and the Risk-Management.**

The industry and thus IC RUSS-INVEST operate in the environment with many different risks such as market, credit, foreign exchange, operational risks and etc. The Russian stock market is highly dependable on world economic development. In the case of the world economic recession, fall of world indices and oil prices the situation in the industry will worsen and cause a depreciation of Russian assets. Under possible stagnation of economic situation in Russia some corporate borrowers could default, what would direct to a fall of net income of the company. There are risks of loosing

liquidity because of decreasing the number of free floated shares because of the large purchases of the shares by strategic investors. So, the share of free floated stocks of Unified Energy System, the main company of the country, does not exceed 11% and the amount of ADR's decreased by 15% for the last 2 years. The recession in the investment industry could cause the receivables to grow, because some counterparties would refuse to pay. Such situation could lead to the losses.

For the purpose of risk-management the company established Risk Management Committee, which is engaged in the process of creating and managing the procedures of risk management. The committee has 3 members. It meets regularly to discuss current issues. The operation of the Committee is based on internal statute, which describes the rights of the members and internal procedures of risk control. The Committee controls the risks and discusses current procedures and the ways to improve them, the effectiveness of overall risk-management in the company and future recommendations for the top managers.

In the case of economic slump in the country the company at first will change the structure of the portfolio. In this case the company will decrease the share of the stocks in the portfolio and increase its investments in treasuries and short-term deposits. Secondly, the company established the limits on each corporate borrower aiming to cut possible losses in the case they would refuse to redeem issued bonds. If the situation in the industry worsens, IC RUSS-INVEST will cut the limits per borrower and cut the amount invested in the corporate bonds. In the same time it will begin the process of litigation against defaulted borrowers. Thirdly, the company will continue the practice of periodical reviews of the limits per counterparty trying to control operational and credit risks. Limit for any investment company will be immediately closed, if financial situation of such company worsens. Fourthly, in the circumstances of acceleration of rouble depreciation and rising foreign exchange risks the company will change the assets' structure and increase the investments in foreign exchange instruments. Also, under condition of existence of derivative market in Russia, the company will hedge the foreign exchange risks. In the case of nominal and real appreciation of the roubles the company will operate in opposite manner.

#### **Communications with the Shareholders.**

The company seriously concentrated on the communication with its shareholders. For a purpose of transparency and better communication the company created a site in Internet [www.russ-invest.ru](http://www.russ-invest.ru). A short annual report for 2002 was published in Trud newspaper. The Shareholders' Department of the company provided regular feedback to our shareholders.

The company made a big job connected with the payment of the dividends. We should note that unfortunately the post returned a large number of the dividend payments, because the shareholders did not inform the company's registrar about the change of their passports, accounts and addresses. Most of the shareholders did not inform the company and its registrar about changes in their personal details. It is necessary to underline that, if the shareholders do not inform the company about such

changes (especially because there is an ongoing change of passports in the country), they will not be able to receive the dividends in the future, as the company will not have their new details.

### **Corporate Code Adherence.**

Corporate Code was developed under the guidance of Russian Federal Securities Commission in 2002 and was recommended by the Russian government for an implementation. Last year the company began to review its charter and internal statutes in accordance with Corporate Code. This analysis resulted in the proposals for the management to implement necessary changes adopted by the Board of Directors. Last year almost all recommendations were implemented in the form of charter and internal statutes amendments. It is necessary to underline that today:

- The procedure of appointment of the President-General Director is fully in line with the recommendations of Corporate Code.
- The company has two independent directors in the Board of Directors.
- The functions of the corporate secretary of company are essentially extended.
- Four committees of board of directors were created: Committee on the finance and audit, Committee on strategic planning, Committee on risks management, Committee on the human resources and compensation.
- The document on dividend's policy was approved.

At the same time the board of directors does not think the work in corporate management has been completed fully and is going to make further improvements both in normative documents and internal procedures, which determine the cooperation of different levels of management and shareholders of the company, with the purposes of full protection of interests and rights of the shareholders.

## **Independent Auditors' Report**

### **To the Board of Directors of Investment Company IC RUSS-INVEST on the statutory accounting reports of 2003.**

We have audited attached 2003 financial statements of Investment Company IC RUSS-INVEST (prepared on February 25, 2004). These financial statements were prepared by the management of Investment Company IC RUSS-INVEST according to the mandatory requirements of the Russian Federation regulations.

Financial statements of Investment Company IC RUSS-INVEST consists of:

- Balance Sheet.
- Income Statement.
- Statement of the Capital and Reserves.
- Cash Flow Statement.
- Different Balance Sheet applications and resume.

The sole responsibility for a preparation of these statutory reports was accepted by the management of Investment Company IC RUSS-INVEST. Our duty is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with:

- Russian Federal Audit Law # 119-FZ dated by August 7, 2001.
- Federal Rules (Standards) of Audit.
- Internal Rules (Standards) of Audit of Institute of Professional Auditors,
- Internal Rules of Audit of BAKER TILLI INTERNATIONAL,
- The Statutes of Russian Ministry of Finance and on the basis of the contract signed between our firm and Investment Company IC RUSS-INVEST # 762 FO/2001A dated by September 4, 2001.

The audit was planned and conducted to obtain reasonable assurance that attached statutory financial statements are free of material misstatements. The audit consisted of an examination of amounts and disclosures in the financial statements on a test basis. We believe that our audit provides a reasonable basis for our opinion.

To our opinion, the attached financial statements for 2003 are true and give fair view of company's assets and liabilities and income statement for the year ended December 31, 2002 in all material aspects according to Russian Federal Accounting Law # 129-FZ dated by November 11, 1996.

Moscow

March 10, 2004

**BAKER TILLY INTERNATIONAL**

Deputy

General Director

M.B.Pavlova

Auditor

E.P.Koryagina

**BALANCE SHEET**  
As of 1 January 2004

Thousand roubles

Form №1

<b>ASSETS</b>	<b>At the beginning of the period</b>	<b>At the end of the period</b>
1	4	3
<b>I. FIXED ASSETS</b>		
Intangible assets	193	173
Property, Plant & Equipment	11 373	9950
Construction in progress	-	-
Long-term financial investments	65 670	366 031
Other non-current assets	-	-
<b>TOTAL fixed assets</b>	<b>77 236</b>	<b>376 193</b>
<b>II. CURRENT ASSETS</b>		
Inventories	1 034	1 699
VAT	-	-
Accounts receivable	232 310	35 806
Short-term financial investments	1 698 725	2 175 645
Other current assets	-	-
<b>TOTAL current assets</b>	<b>2 109 126</b>	<b>2 592 138</b>
<b>TOTAL ASSETS</b>	<b>2 186 362</b>	<b>2 968 331</b>

<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>	<b>At the beginning of the period</b>	<b>At the end of the period</b>
1	4	3
<b>III. SHAREHOLDERS' EQUITY</b>		
Charter Capital	44 797	44 797
Additional Capital	376 294	376 294
Reserves	44 797	55 992
Social Fund	-	-
Retained Earnings of the previous years	184 223	1 481 082
Retained Earnings of the current year	1 504 025	753 775
<b>TOTAL shareholders' equity</b>	<b>2 154 136</b>	<b>2 737 132</b>
<b>IV. LONG-TERM LIABILITIES</b>		
<b>TOTAL long-term liabilities</b>	<b>-</b>	<b>-</b>
<b>V. SHORT-TERM LIABILITIES</b>		
Loans	-	-
Accounts payable	3 631	20 192
Dividends payable	28 595	210 745
<b>TOTAL short-term liabilities</b>	<b>32 226</b>	<b>230 937</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>2 186 362</b>	<b>2 968 331</b>

**STATEMENT OF INCOME**

Thousand roubles

Form №2

	<b>2003</b>	<b>2002</b>
Net Revenues	6 888 415	5 088 778
Cost of Sales	6 266 983	3 095 097
Commercial Expense	-	-
Administrative Expense	64 440	68 179
Gross Margin	621 432	1 925 502
Operating incomes & expenses		
Interests received	584 605	443 858
Interests paid	486 348	364 305
Other operating incomes	305 493	8 314
Other operating expenses	58 585	52 934
Non-operating incomes & expenses		
Non-operating incomes	77 206	279 810
Non-operating expenses	87 359	278 917
Pre-tax income	904 395	1 966 885
Taxes	150 358	462 852
Extraordinary incomes	-	36
Extraordinary expenses	-	44
Net income	753 775	1 504 025

**OPEN JOINT-STOCK COMPANY  
“INVESTMENT COMPANY IC RUSS-  
INVEST”**

**Consolidated Financial Statements for  
the year ended 31 December 2003**

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Consolidated Statement of Changes in Shareholders' Equity	4
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## Independent Auditor's Report

To the Board of Directors of Open Joint-Stock Company  
"Investment company IC Russ-Invest"

We have audited the accompanying consolidated balance sheet of OJSC "Investment Company IC Russ-Invest" and its subsidiaries (the "Group") as of 31 December 2003, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements, as set out on pages 1 to 25, are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements do not include comparative information for the income statement, statement of cash flows and statement of changes in shareholders' equity, which is required by IAS 1 *Presentation of Financial Statements*.

In our opinion, except for the omission of comparative information as explained in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2003, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

*KPMG limited*

KPMG Limited  
Moscow, Russian Federation  
19 August 2004



KPMG Limited, a company incorporated under the Guernsey Companies Act, is a member of KPMG International, A Swiss cooperative.

*OJSC "Investment Company IC Russ-Invest"*  
*Consolidated Income Statement for the year ended 31 December 2003*

	Notes	<u>2003</u> <u>RUR'000</u>
Interest income	4	102,361
Net securities trading income	5	649,061
Net gain on non-trading financial instruments	6	152,995
Net foreign exchange loss	7	(10,196)
Dividend income		12,391
Other income		3,445
<b>Operating income</b>		<b>910,057</b>
Impairment losses	8	(7,952)
General administrative expenses	9	(66,078)
<b>Operating expenses</b>		<b>(74,030)</b>
<b>Income before taxes</b>		<b>836,027</b>
Income tax expense	10	195,165
<b>Net income</b>		<b>640,862</b>

The financial statements as set out on pages 1 to 25 were approved by the Board of Directors of the Company on 18 August 2004.

President-General Director



Alexander P. Bychkov

Chief Accountant



Nelly A. Karabanova

	Notes	<b>2003</b> <b>RUR'000</b>	<b>2002</b> <b>RUR'000</b>
<b>ASSETS</b>			
Cash		7	3
Placements with banks and other financial institutions	11	578,054	388,891
Financial instruments held for trading	12	2,217,410	1,723,052
Investments available for sale	13	179,487	163,629
Other assets	14	36,436	20,802
Property and equipment	15	74,657	76,243
Deferred tax asset	18	737	-
<b>Total Assets</b>		<b><u>3,086,788</u></b>	<b><u>2,372,620</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Dividends payable	16	210,746	17,400
Other liabilities	17	23,266	5,062
Deferred tax liability	18	92,471	48,741
Share capital paid but not registered		-	11,608
<b>Total Liabilities</b>		<b><u>326,483</u></b>	<b><u>82,811</u></b>
<b>Shareholders' Equity</b>			
Share capital	19	1,453,365	1,427,760
Retained earnings		1,306,940	862,049
<b>Total Shareholders' Equity</b>		<b><u>2,760,305</u></b>	<b><u>2,289,809</u></b>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>3,086,788</u></b>	<b><u>2,372,620</u></b>
Contingencies	21		

	Notes	<b>2003</b> <b>RUR'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income		640,862
Provision for impairment losses		7,952
Depreciation and amortisation		3,809
Unrealised gain on securities		(181,037)
Net change in accruals		1,838
Net unrealised foreign exchange loss		9,732
Deferred taxation		42,993
<b>Operating cash flow before changes in operating assets and liabilities</b>		<b>526,149</b>
<b>Changes in operating assets and liabilities</b>		
Placements with banks and other financial institutions		(1,038)
Trading securities		(344,201)
Investments available for sale		10,132
Other operating assets		(15,635)
Other operating liabilities		18,204
<b>Net cash from operating activities</b>		<b>193,611</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment		(2,240)
Proceeds from sale of fixed assets		18
<b>Net cash from investing activities</b>		<b>(2,222)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares		13,997
Dividends paid		(2,625)
<b>Net cash from financing activities</b>		<b>11,372</b>
<b>Net increase in cash and cash equivalents</b>		<b>202,761</b>
Cash and cash equivalents at beginning of year		309,664
Effect of changes in foreign currency exchange rates on cash and cash equivalents		(4,874)
<b>Cash and cash equivalents at end of year</b>	23	<b>507,551</b>

*OJSC "Investment Company IC Russ-Invest"*  
*Consolidated Statement of Changes in Shareholders' equity*  
*for the year ended 31 December 2003*

	Share Capital	Retained earnings	Total
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>
<b>Balance at 31 December 2002</b>	<b>1,427,760</b>	<b>862,049</b>	<b>2,289,809</b>
Net income for the year	-	640,862	640,862
Shares issued	25,605	-	25,605
Dividends declared	-	(195,971)	(195,971)
<b>Balance at 31 December 2003</b>	<b>1,453,365</b>	<b>1,306,940</b>	<b>2,760,305</b>

## **1 Background**

### **a) Principal activities**

The operating companies of the Investment Company Russ-Invest Group (the "Group") are the parent company, OJSC "Investment Company IC Russ-Invest", and its subsidiaries CJSC Naschokin and CJSC Novodevichy.

A description of the operations of principal operating companies is as follows:

- OJSC "Investment Company IC Russ-Invest" (the "Company") was established in the Russian Federation as an open joint stock voucher investment fund and in 1993 obtained a license to operate in the stock markets. Later in 1998 it was renamed to open joint stock investment company. Currently the company holds licenses for brokerage, dealership and depository operations issued in 2002 by the Federal Securities Commission. The principal activity of the company is investment in debt and equity securities. It also conducts broker operations on behalf of its clients. The company has no branches. All of the company's assets and liabilities are located in the Russian Federation. The average number of persons employed by the company during the year was 52.
- CJSC Naschokin was founded in the Russian Federation in 2000 as a closed joint stock company. The principal activity of the company is renting out of real estate owned by the company. The average number of persons employed by the company during the year was 4. As of 31 December 2003 OJSC "Investment Company IC Russ-Invest" controlled 100% of the company's common stock.
- CJSC Novodevichy was founded in the Russian Federation in July 2003 as a closed joint stock company. The company had not carried out any major activities in 2003. The company is wholly owned by OJSC "Investment Company IC Russ-Invest".

### **b) Russian business environment**

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## **2 Basis of preparation**

### **a) Statement of compliance**

The Group maintains its accounting records in accordance with the legislative requirements of the Russian Federation. The accompanying financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretations Committee of the IASB.

### **b) Basis of measurement**

The financial statements are prepared on a fair value basis for financial assets and liabilities held for trading and available-for-sale, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost and have been restated for the effects of inflation as described in note 3(b).

### **c) Measurement and Presentation Currency**

The national currency of the Russian Federation is the Russian Rouble ("RUR"). Management have determined the Group's measurement currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group. The RUR is also the Group's presentation currency for the purposes of these financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

### **d) Basis of consolidation**

#### **(i) Subsidiaries**

Subsidiaries are those enterprises controlled by the OJSC "Investment Company IC Russ-Invest". Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

#### **(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

**e) Going concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operation of the Group, may be significantly affected by the current and future economic environment (refer note 1 (b)). The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

**f) First time application of International Financial Reporting Standards**

The period ended 31 December 2003 is the first period when International Financial Reporting Standards were applied in full as the primary basis of accounting. Previously, the Group had presented its financial statements using only Russian accounting principles. International Financial Reporting Standards require that comparative information be prepared and presented, however, it was impracticable for the Group to prepare and present comparative information for income statement, statement of cash flows and statement of changes in shareholders' equity at this time. Therefore, these financial statements only disclose financial information for the period ended 31 December 2003.

### **3 Significant accounting policies**

The following significant accounting policies have been applied in the preparation of the financial statements.

**a) Foreign currency transactions**

Transactions in foreign currencies are translated to the appropriate measurement currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the measurement currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the measurement currency at the foreign exchange rate ruling at the date of the transaction.

**b) Inflation accounting**

In the years prior to 1 January 2003, Russia was considered to be a hyperinflationary economy in as defined in IAS No. 29 *Financial Reporting in Hyperinflationary Economies*, which required that financial statements be expressed in terms of the measuring unit current as of the balance sheet date. Accordingly, amounts indicated in the Group's financial statements prior to 1 January 2003, have been restated to account for changes in the general purchasing power of the RUB. The restatement is based on relevant price indices at the balance sheet date. The indices are derived from the inflation rates which are issued by the State Statistical Committee of the Russian Federation ("Goskomstat").

The indices used were as follows:

	<u>Indices</u>
31 December 1991	100
31 December 1992	2,642
31 December 1993	25,023
31 December 1994	78,470
31 December 1995	182,046
31 December 1996	221,597
31 December 1997	245,949
31 December 1998	453,704
31 December 1999	619,691
31 December 2000	744,425
31 December 2001	884,504
31 December 2002	1,018,277

As from 1 January 2003 the Russian Federation is no longer considered to be a hyperinflationary economy, and therefore from this date the consolidated financial statements have not been adjusted for inflation. The carrying amounts of the Group's assets, liabilities and equity items at 1 January 2003 form the basis for subsequent accounting.

**c) Cash and cash equivalents**

The Group considers cash and current accounts with banks and other financial institutions to be cash and cash equivalents.

**d) Financial instruments**

**(i) Classification**

*Trading instruments* are those that the Group principally holds for the purpose of short-term profit taking.

*Originated loans and receivables* are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans.

*Held-to-maturity assets* are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

*Available-for-sale assets* are financial assets that are not held for trading purposes, originated by the Group, or held to maturity.

**(ii) Recognition**

The Group recognises financial instruments held for trading and available-for-sale assets on the date it commits to purchase the assets.

Held-to-maturity assets and originated loans and receivables are recognised on the day they are transferred to or originated by the Group.

**(iii) Measurement**

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

**(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

**(v) Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of all trading instruments and available-for-sale securities trading are recognised in the income statement.

**(vi) Derecognition**

A financial asset is derecognised when the Group loses control over contractual rights that comprise that assets. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the asset. The Group uses FIFO method to determine the gain or loss on derecognition.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Group.

**e) Investments in associates**

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

**f) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**g) Property and equipment**

**(i) Owned assets**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

**(ii) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Operating leases, the terms of which the Group does not assume substantially all the risks and rewards of ownership, are expensed.

**(iii) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences the date of acquisition. The estimated useful lives are as follows:

Buildings	50 years
Equipment and software	3 years
Fixtures and fittings	5 years
Vehicles	10 years

**h) Intangible assets**

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are from 3 to 5 years.

**i) Impairment**

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

**(i) Calculation of recoverable amount**

The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. The recoverable amount of the Group's trading investments and investments available-for-sale is their fair value.

The recoverable amount of other assets is the greater of their net selling price 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(ii) Reversals of impairment**

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**j) Interest bearing borrowings**

Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the income statement.

**k) Provisions**

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

**l) Share capital**

**(i) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

**(ii) Dividends**

The ability of the Group to declare and pay dividends is subject to the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings as and when declared.

**m) Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**n) Interest income and expense**

Interest income and expense are recognised in the income statement as they accrue, taking into account the effective yield of the asset/liability or an applicable floating rate.

**o) Fee and commission income**

Fee and commission income is recognised when the corresponding service is provided.

**p) Net securities trading income**

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

**q) Dividend income**

Dividend income from investments in companies where the Group does not have control or significant influence is recognised in the income statement on the date that the dividend is declared.

#### **4 Interest income**

	<b>2003</b> <b>RUR '000</b>
Securities interest	90,286
Placements with banks and other financial institutions	12,075
	<b>102,361</b>

#### **5 Net securities trading income**

	<b>2003</b> <b>RUR '000</b>
Equity instruments	591,440
Debt instruments	57,621
	<b>649,061</b>

#### **6 Net gain on non-trading financial instruments**

	<b>2003</b> <b>RUR '000</b>
Realized gains on assets available-for-sale	92,049
Net unrealized gains on assets available-for-sale	60,946
	<b>152,995</b>

#### **7 Net foreign exchange loss**

	<b>2003</b> <b>RUR '000</b>
Loss from revaluation of financial assets and liabilities	10,151
Loss on spot transactions	45
	<b>10,196</b>

## 8 Impairment losses

	<b>2003</b> <b>RUR '000</b>
Investments	4,890
Placements with banks and other financial institutions	3,062
	<b>7,952</b>

## 9 General administrative expenses

	<b>2003</b> <b>RUR '000</b>
Salaries	35,296
Marketing and advertising	5,564
Depreciation	3,809
Taxes other than income tax	3,670
Brokerage and depositary services	3,229
Professional services	3,070
Travel and representation services	2,317
Communication and information services	2,283
Security	1,687
Shareholders' meeting expenses	1,448
Other	3,705
	<b>66,078</b>

## 10 Income tax expense

	<b>2003</b> <b>RUR '000</b>
Current tax expense	152,172
Deferred tax expense	42,993
	<b>195,165</b>

The Group's applicable tax rate for current and deferred tax is 24% (2002 : 24%).

**Reconciliation of effective tax rate:**

	<b>2003</b>	
	<b>RUR '000</b>	<b>%</b>
Income before tax	<b>836,027</b>	
Income tax at the applicable tax rate	200,646	24%
Net non-taxable income	(2,280)	(0.3%)
Income taxed at lower tax rates	(3,201)	(0.4%)
	<b>195,165</b>	<b>23.3%</b>

**11 Placements with banks and other financial institutions**

	<b>2003</b>	<b>2002</b>
	<b>RUR '000</b>	<b>RUR '000</b>
Current accounts	507,544	309,661
Term deposits	75,327	80,985
Provision for impairment	(4,817)	(1,755)
	<b>578,054</b>	<b>388,891</b>

**Analysis of movements in the provision for impairment**

	<b>2003</b>	<b>2002</b>
	<b>RUR '000</b>	<b>RUR '000</b>
Balance at the beginning of the year	1,755	-
Net charge for the year	3,062	1,755
Balance at the end of the year	<b>4,817</b>	<b>1,755</b>

As at 31 December 2003, included in placements with banks and other financial institutions are balances with one counterparty (31 December 2002: none), which individually exceeded 10% of total shareholders' equity. The gross value of these balances as at 31 December 2003 was RUR 284,038 thousand (31 December 2002: zero).

## 12 Financial instruments held for trading

	<u>2003</u> <u>RUR '000</u>	<u>2002</u> <u>RUR '000</u>
<i>Debt and other fixed-income instruments</i>		
Corporate bonds:		
LOMO	164,505	56,763
Centertelecom	64,397	44,909
Gazprom	59,211	57,063
Severo-Zapadny telecom	57,053	-
Sibirtelecom	56,818	-
Uralsvyazinform	53,509	-
UTK	52,390	-
San Inter Brew	40,835	-
Akron	30,029	-
Others	52,870	41,210
 Russian Government GKO/OFZ	 158,130	 579,260
<i>Equity investments</i>		
Lukoil	193,752	151,869
Gazprom	157,764	152,980
Sibirtelecom	155,346	525
Sberbank (common stock)	151,488	22,192
Surgutneftegaz	144,772	199,366
Rostelecom	133,837	155,728
YKOS	108,161	63,963
Tatneft	102,347	-
MosEnergo	81,020	55,405
NorNickel	75,605	12,343
RAO UES	28,280	108,842
Transneft	23,083	8
Severo-Zapadny Telecom	19,202	1,502
Uralsvyazinform	14,781	5,502
Others	38,225	13,622
	<u><b>2,217,410</b></u>	<u><b>1,723,052</b></u>

Gains and losses arising due to changes in fair value of trading instruments are recognised in net securities trading income/(loss).

## 13 Investments

	<b>2003</b>	<b>2002</b>
	<b>RUR '000</b>	<b>RUR '000</b>
<b>Available-for-sale</b>		
<i>Equity instruments – listed</i>		
Rosneft	137,880	72,652
Avtovaz	16,469	20,751
Surgutneftegaz	-	33,898
Other	-	26
<i>Equity instruments – unlisted</i>		
Ryazanskiy NPZ	34,388	29,496
Berezka v Luzhnikah	24,779	24,779
Nizhnevartovskneftegaz	1,481	1,481
Other	359	1,349
<i>Debt instruments – unlisted</i>		
Rosinter Restuarants	-	10,174
Promissory Notes of Bank "Rossiyskiy Credit"	52	54
	<b>215,408</b>	<b>194,660</b>
Provision for impairment of unlisted financial instruments	(35,921)	(31,031)
	<b>179,487</b>	<b>163,629</b>

### Analysis of movements in the provision for impairment

	<b>2003</b>	<b>2002</b>
	<b>RUR '000</b>	<b>RUR '000</b>
Balance at the beginning of the year	31,031	-
Net charge for the year	4,890	31,031
Balance at the end of the year	<b>35,921</b>	<b>31,031</b>

## 14 Other assets

	<u>2003</u> <u>RUR '000</u>	<u>2002</u> <u>RUR '000</u>
Income tax prepayment	30,891	16,850
Settlements with budget on other taxes	3,021	1,972
Settlements with suppliers and contractors	906	524
Deferred charges on future operations	601	496
Settlements with other debtors	1,017	960
	<u>36,436</u>	<u>20,802</u>

## 15 Property and equipment

	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment and software</u>	<u>Fixtures and fittings</u>	<u>Total</u>
	<u>RUR'000</u>	<u>RUR'000</u>	<u>RUR'000</u>	<u>RUR'000</u>	<u>RUR'000</u>
<b>Cost</b>					
At 1 January 2003	70,882	3,356	23,322	4,489	102,049
Additions	-	-	1,195	1,045	2,240
Disposals	-	-	(35)	(24)	(59)
At 31 December 2003	<u>70,882</u>	<u>3,356</u>	<u>24,482</u>	<u>5,510</u>	<u>104,230</u>
<b>Depreciation</b>					
At 1 January 2003	(2,362)	(532)	(20,396)	(2,516)	(25,806)
Depreciation charge	(1,418)	(336)	(1,518)	(537)	(3,809)
Disposals	-	-	33	9	42
At 31 December 2003	<u>(3,780)</u>	<u>(868)</u>	<u>(21,881)</u>	<u>(3,044)</u>	<u>(29,573)</u>
<b>Carrying value</b>					
At 31 December 2003	<u>67,102</u>	<u>2,488</u>	<u>2,601</u>	<u>2,466</u>	<u>74,657</u>
At 31 December 2002	<u>68,520</u>	<u>2,824</u>	<u>2,926</u>	<u>1,973</u>	<u>76,243</u>

## 16 Dividends payable

	<u>2003</u> <u>RUR '000</u>	<u>2002</u> <u>RUR '000</u>
Dividends payable in respect of 2002	193,378	-
Dividends payable in respect of 1994, 1995 and 2000	17,368	17,400
	<u><b>210,746</b></u>	<u><b>17,400</b></u>

## 17 Other liabilities

	<u>2003</u> <u>RUR '000</u>	<u>2002</u> <u>RUR '000</u>
Customer balances on broker operations	15,914	-
Settlements with other creditors	4,043	2,694
Income taxes payable	3,289	2,363
Other	20	5
	<u><b>23,266</b></u>	<u><b>5,062</b></u>

## 18 Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as of 31 December 2003 and 2002. These temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
Placements with banks and other financial institutions	1,156	421	-	-	1,156	421
Financial instruments held for trading	-	-	(95,602)	(8,425)	(95,602)	(8,425)
Investments available for sale	9,075	7,447	-	(41,930)	9,075	(34,483)
Property and equipment	4,937	5,231	(11,300)	(11,485)	(6,363)	(6,254)
Net tax asset/(liabilities)	<u><b>15,168</b></u>	<u><b>13,099</b></u>	<u><b>(106,902)</b></u>	<u><b>(61,840)</b></u>	<u><b>(91,734)</b></u>	<u><b>(48,741)</b></u>
<i>Out of which:</i>						
Net liability (by individual company)					737	-
Net asset (by individual company)					(92,471)	(48,741)

The rate of tax applicable for deferred taxes was 24% (2002: 24%).

### Movement in temporary differences during the year

RUR'000	Balance 1 January 2003	Recognised in income	Balance 31 December 2003
Placements with banks and other financial institutions	421	735	1,156
Financial instruments held for trading	(8,425)	(87,177)	(95,602)
Investments available for sale	(34,483)	43,558	9,075
Property and equipment	(6,254)	(109)	(6,363)
	<b>(48,741)</b>	<b>(42,993)</b>	<b>(91,734)</b>

## 19 Share capital

### Issued capital

The authorised, issued and outstanding share capital comprises 69,989,000 ordinary shares (2002: 44,796,636). All shares have a par value of RUR 1.

Contributions to share capital made prior to 1 January 2003 have been restated to account for changes in the general purchasing power of the RUB in accordance with IAS No. 29 *Financial Reporting in Hyperinflationary Economies* as described in Note 3(b).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

### Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, retained earnings available for distribution amount to RUR 2,178,865 thousand (2002: RUR 1,643,451 thousand).

## 20 Risk management

Management of risk is fundamental to the business of Investment Company and is an essential element of the Company's operations. The major risks faced by the Company are those related to movements in debt and capital markets. These risks are managed in the following manner: the Company has established policies and procedures for the management of financial investment portfolio, including preparing monthly fundamental analysis and daily technical analysis of Russian securities markets, evaluation of liquidity and profitability of the financial instruments held by the Company and assessment of fair value of shares in the Company's portfolio using methods other than quoted market prices (evaluation of net assets, EPS and others). The risk management committee implements the Company's strategy in market risk management.

## 21 Contingencies

### Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

### Litigation

Group management is unaware of any significant actual, pending or threatened claims against the Group.

### Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 22 Related party transactions

### Transactions with Directors and senior management

Directors and senior management of the Group and their immediate relatives control 0,11% of the voting shares of the Group.

Total remuneration to Directors and senior management of the Group included in employee compensation (refer note 9) is RUR'000 10,455.

The outstanding balances as of 31 December 2003 and 2002 with Directors and senior management are as follows:

	<u>2003</u> <u>RUR '000</u>	<u>2002</u> <u>RUR '000</u>
<i>Liabilities</i>		
Dividends payable	222	-

The Group did not earn any income or incur any losses on operations with Directors or senior managers during 2003.

### Transactions with other related parties

The outstanding balances as of 31 December 2003 and 2002 with other related parties are as follows:

	<b>2003</b> <b>RUR '000</b>	<b>2002</b> <b>RUR '000</b>
<i>Liabilities</i>		
Dividends payable	68,010	-
Other liabilities	12,358	-

The Group did not earn any income or incur any losses on operations with related parties during 2003.

## 23 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is composed of the following items:

	<b>2003</b> <b>RUR '000</b>	<b>2002</b> <b>RUR '000</b>
Cash on hand	7	3
Current accounts in banks and other financial institutions	507,544	309,661
	<b>507,551</b>	<b>309,664</b>

## 24 Fair value of financial instruments

The Group has performed an assessment of its financial instruments, as required by IAS 32 *Financial Instruments: Disclosure and Presentation*, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

Based on this assessment the Group has concluded that due to the lack of liquidity and published "indicator interest rates" in the Russian markets, it is not possible to determine the fair value of some of its financial assets and financial liabilities.

The financial assets and financial liabilities that the Group does believe it is able to estimate fair values for include cash, financial instruments held for trading and placements with banks and other financial institutions. The Group estimates the fair value of these assets to be not materially different from their carrying values.

This estimate of fair value is intended to approximate the amount at which the above listed assets could be exchanged in a current transaction between willing parties. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

## 25 Average effective interest rates

The table below displays the Group's interest bearing assets and liabilities as at 31 December 2003 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value RUR '000	2003 Average Effective Interest Rate	Value RUR '000	2002 Average Effective Interest Rate
<b>Interest Bearing Assets</b>				
<i>Placements with banks and other financial institutions</i>				
<i>Current accounts</i>				
- RUR	498,642	1.9%	229,936	-
- USD	5,591	0.3%	79,582	-
- other currencies	-	-	8	-
<i>Term deposits</i>				
- USD	73,821	5.5%	79,365	7.0%
<i>Financial instruments held for trading</i>				
- RUR	789,747	13.5%	779,205	12.2%
<i>Investments</i>				
- RUR	-	-	10,174	18.5%

## 26 Maturity analysis

The following table shows Group's assets and liabilities by remaining contractual maturity dates as at 31 December 2003. Due to the fact that substantially all the financial instruments of by the Group are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

*OJSC "Investment Company IC Russ-Invest"*  
*Notes to, and forming part of, the consolidated financial statements*  
*for the year ended 31 December 2003*

	<b>Less than 1 month RUR '000</b>	<b>1 to 3 months RUR '000</b>	<b>3 months to 1 year RUR '000</b>	<b>1year to 5 years RUR '000</b>	<b>More than 5 years RUR '000</b>	<b>No maturity RUR '000</b>	<b>Total RUR '000</b>
<b>Assets</b>							
Cash	7	-	-	-	-	-	7
Placements with banks and other financial institutions	578,054	-	-	-	-	-	578,054
Financial instruments held for trading	757	9,773	177,629	601,588	-	1,427,663	2,217,410
Investments available for sale	-	-	-	-	53	179,434	179,487
Other assets	140	4,751	31,316	212	9	8	36,436
Property and equipment	-	-	-	-	-	74,657	74,657
Deferred tax asset	-	-	-	-	-	737	737
<b>Total assets</b>	<b>578,958</b>	<b>14,524</b>	<b>208,945</b>	<b>601,800</b>	<b>62</b>	<b>1,682,499</b>	<b>3,086,788</b>
<b>Liabilities</b>							
Dividends payable	210,746	-	-	-	-	-	210,746
Other liabilities	23,266	-	-	-	-	-	23,266
Deferred tax liability	-	-	-	-	-	92,471	92,471
<b>Total liabilities</b>	<b>234,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,471</b>	<b>326,483</b>
<b>Net position as at 31 December 2003</b>	<b>344,946</b>	<b>14,524</b>	<b>208,945</b>	<b>601,800</b>	<b>62</b>	<b>1,590,028</b>	<b>2,760,305</b>
Net position as at 31 December 2002	315,568	193,666	458,133	187,462	10,228	1,124,753	2,289,809

## 27 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2003:

	<b>RUR</b>	<b>USD</b>	<b>Total</b>
	<b>RUR '000</b>	<b>RUR '000</b>	<b>RUR '000</b>
<b>Assets</b>			
Cash	7	-	7
Placements with banks and other financial institutions	498,642	79,412	578,054
Financial instruments held for trading	2,217,410	-	2,217,410
Investments available for sale	179,487	-	179,487
Other assets	36,436	-	36,436
Property and equipment	74,657	-	74,657
Deferred tax asset	737	-	737
<b>Total assets</b>	<b>3,007,376</b>	<b>79,412</b>	<b>3,086,788</b>
<b>Liabilities</b>			
Dividends payable	210,746	-	210,746
Other liabilities	23,266	-	23,266
Deferred tax liability	92,471	-	92,471
<b>Total liabilities</b>	<b>326,483</b>	<b>-</b>	<b>326,483</b>
<b>Net position as of 31 December 2003</b>	<b>2,680,893</b>	<b>79,412</b>	<b>2,760,305</b>
Net position as of 31 December 2002	<b>2,130,854</b>	<b>158,955</b>	<b>2,289,809</b>

## 28 Events subsequent to the balance sheet

At the annual shareholders' meeting in May 2004 dividends in respect of 2003 financial year were declared in the amount RUR 1.75 per one share for the total amount RUR'000 122,481.