

OJSC “IC RUSS-INVEST”

Consolidated Financial Statements

for the Year Ended 31 December 2009

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Independent Auditors' Report

To the Board of Directors

OJSC "IC RUSS-INVEST"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC "IC RUSS-INVEST" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.




ZAO KPMG
26 May 2010



OJSC "IC RUSS-INVEST"
Consolidated statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 RUR'000	2008 RUR'000
Interest income	4	114,542	151,791
Net securities trading income/(loss)	5	1,570,203	(2,112,080)
Net foreign exchange loss	6	(114)	(1,467)
Dividend income		56,815	44,045
Other operating income	7	26,899	20,101
Operating income/(loss)		1,768,345	(1,897,610)
Impairment losses	8	(125,197)	(91,805)
General administrative expenses	9	(240,455)	(223,703)
Operating expenses		(365,652)	(315,508)
Profit/(loss) before taxes		1,402,693	(2,213,118)
Income tax (expense)/benefit	10	(280,679)	476,171
Profit/(loss)		1,122,014	(1,736,947)
Other comprehensive income/(loss)			
Revaluation reserve for assets available-for-sale:			
- Net change in fair value of available-for-sale assets, net of tax		19,794	(5,098)
Revaluation of Unit Funds		41,302	(37,891)
Currency translation differences		2,940	12,518
Other comprehensive income/(loss), net of tax		64,036	(30,471)
Total comprehensive income/(loss)		1,186,050	(1,767,418)
Profit/(loss) attributable to:			
Equity holders of the Group		1,120,635	(1,731,265)
Minority interest		1,379	(5,682)
Earnings /(loss) per share attributable to equity holders of the parent company (expressed in Russian Rubles per share)	19	10.32	(15.88)
Profit/(loss)		1,122,014	(1,736,947)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Group		1,143,369	(1,723,845)
Minority interest		42,681	(43,573)
Total comprehensive income/(loss)		1,186,050	(1,767,418)

The consolidated financial statements as set out on pages 5 to 47 were approved by the Board of Directors of the Company on 26 May 2010.



 President-General Director
 Alexander P. Bychkov



 Chief Accountant
 Nelly A. Karabanova

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2009 RUR'000	2008 RUR'000
ASSETS			
Cash		4	8
Placements with banks and other financial institutions	11	1,051,736	310,636
Financial instruments held for trading	12	3,156,554	1,976,695
Financial instruments available-for-sale	13	51,796	21,597
Investment in associate		-	29,040
Other assets	14	126,757	119,288
Property, equipment and intangible assets	15	119,447	126,280
Deferred tax asset	10	55,958	316,748
Total assets		4,562,252	2,900,292
LIABILITIES			
Financial instruments held for trading	12	422,775	-
Dividends payable	16	447,158	447,833
Other liabilities	17	137,374	62,091
Deferred tax liability	10	4,237	4,060
Total liabilities		1,011,544	513,984
EQUITY			
Share capital	18	1,492,376	1,492,376
Revaluation surplus		8,334	8,334
Revaluation reserve for available-for-sale assets		14,696	(5,098)
Treasury shares		(27,621)	(6,045)
Currency translation reserve		15,458	12,518
Retained earnings		1,955,059	834,424
Total equity attributable to equity holders of the Group		3,458,302	2,336,509
Minority interest		92,406	49,799
Total equity		3,550,708	2,386,308
Total liabilities and equity		4,562,252	2,900,292

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2009 RUR'000	2008 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxes		1,402,693	(2,213,118)
Impairment losses		125,197	91,805
Depreciation and amortisation		19,426	15,959
Unrealised (gain)/loss on securities		(1,270,613)	2,487,937
Net foreign exchange loss		3,056	12,657
Interest income		(114,542)	(151,791)
Shares (redeemed)/issued in subsidiary		(74)	12,352
Operating cash flow before changes in operating assets and liabilities		165,143	255,801
Changes in operating assets and liabilities			
Placements with banks and other financial institutions		(122,408)	(98)
Financial instruments held for trading - assets		36,828	(399,189)
Financial instruments available-for-sale		(1,712)	(158)
Other operating assets		(32,048)	38,135
Financial instruments held for trading - liabilities		422,398	-
Other operating liabilities		76,005	(95,179)
Net cash from/(used in) operating activities before income tax paid		544,206	(200,688)
Interest received		109,890	130,527
Income tax paid		(885)	(151,284)
Net cash from/(used in) operating activities		653,211	(221,445)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(12,438)	(13,559)
Net cash used in investing activities		(12,438)	(13,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares acquired		(21,576)	(6,045)
Dividends paid		(675)	(65,775)
Net cash used in financing activities		(22,251)	(71,820)
Net increase/(decrease) in cash and cash equivalents		618,522	(306,824)
Cash and cash equivalents at the beginning of the year		310,462	617,424
Effect of changes in foreign currency exchange rates on cash and cash equivalents		166	(138)
Cash and cash equivalents at the end of the year	23	929,150	310,462

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

RUR'000	Attributable to equity holders of the parent						Total	Minority interest	Total equity
	Share capital	Retained earnings	Currency translation reserve	Revaluation surplus	Treasury shares	Revaluation reserve for available-for-sale assets			
Balance at 1 January 2008	1,492,376	2,674,689	-	8,334	-	-	4,175,399	81,020	4,256,419
Total comprehensive income/(loss)									
Loss	-	(1,731,265)	-	-	-	-	(1,731,265)	(5,682)	(1,736,947)
Other comprehensive income/(loss)									
Net change in fair value of available-for-sale assets, net of tax of RUR 1,274 thousand	-	-	-	-	-	(5,098)	(5,098)	-	(5,098)
Revaluation of Unit Funds	-	-	-	-	-	-	-	(37,891)	(37,891)
Currency translation differences	-	-	12,518	-	-	-	12,518	-	12,518
Total other comprehensive income	-	-	12,518	-	-	(5,098)	7,420	(37,891)	(30,471)
Total comprehensive income/(loss)	-	(1,731,265)	12,518	-	-	(5,098)	(1,723,845)	(43,573)	(1,767,418)
Shares issued in subsidiary	-	-	-	-	-	-	-	12,352	12,352
Treasury shares acquired	-	-	-	-	(6,045)	-	(6,045)	-	(6,045)
Dividends declared	-	(109,000)	-	-	-	-	(109,000)	-	(109,000)
Balance at 31 December 2008	1,492,376	834,424	12,518	8,334	(6,045)	(5,098)	2,336,509	49,799	2,386,308

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

RUR'000	Attributable to equity holders of the parent						Total	Minority interest	Total equity
	Share capital	Retained earnings	Currency translation reserve	Revaluation surplus	Treasury shares	Revaluation reserve for available-for-sale assets			
Balance at 1 January 2009	1,492,376	834,424	12,518	8,334	(6,045)	(5,098)	2,336,509	49,799	2,386,308
Total comprehensive income									
Profit	-	1,120,635	-	-	-	-	1,120,635	1,379	1,122,014
Other comprehensive income									
Net change in fair value of available-for-sale assets, net of tax of RUR 4,949 thousand	-	-	-	-	-	19,794	19,794	-	19,794
Revaluation of Unit Funds	-	-	-	-	-	-	-	41,302	41,302
Currency translation differences	-	-	2,940	-	-	-	2,940	-	2,940
Total other comprehensive income	-	-	2,940	-	-	19,794	22,734	41,302	64,036
Total comprehensive income	-	1,120,635	2,940	-	-	19,794	1,143,369	42,681	1,186,050
Shares redeemed in subsidiary	-	-	-	-	-	-	-	(74)	(74)
Treasury shares acquired	-	-	-	-	(21,576)	-	(21,576)	-	(21,576)
Balance at 31 December 2009	1,492,376	1,955,059	15,458	8,334	(27,621)	14,696	3,458,302	92,406	3,550,708

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Principal activities

The operating companies of the "IC RUSS-INVEST" Group (the "Group") are the parent company, Open Joint-Stock Company "INVESTMENT COMPANY RUSS-INVEST", and its subsidiaries, Closed Joint-Stock Company "NASCHOKIN", Closed Joint-Stock Company "RUSS-INVEST Asset Management Company", Closed Joint-Stock Company "NOVODEVICHY", Open Joint-Stock Company "BERIOZKA IN LUZHNIKY" and ABR Financial B.V.

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

- OJSC "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 and dealership operations issued in 2002 by the Federal Securities Commission. On 29 November 2005 the Company obtained a license to operate in depository operations issued by the Federal Securities Commission. On 13 November 2008 the Company obtained a license to operate in trust operations issued by the Federal Securities Commission. On 8 November 2006 the Company obtained a brokerage license to operate in future and option deals on the stock exchange issued by the Financial Service of Financial Market. The Company also meets the requirements for financial consultant on the securities market. 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 2009 was 74 (2008: 61). The Company's registered office is 2/2, Vsevolozhskiy per., Moscow, 119034, Russian Federation.
- CJSC "NASCHOKIN" was purchased by the Group in 2000. The principal activity of the company is renting out the real estate owned by the company. The average number of persons employed by the company during the year 2009 was 2 (2008: 2). As of 31 December 2009 OJSC "IC RUSS-INVEST" controlled 65.71% of the company's common stock (31 December 2008: 65.71%).
- CJSC "NOVODEVICHY" was founded in the Russian Federation in 2003 as a closed joint-stock company. The principal activity of the company is investment in debt and equity securities. The average number of persons employed by the company during the year 2009 was 1 (2008: 1). The company is wholly owned by OJSC "IC RUSS-INVEST".
- CJSC "RUSS-INVEST Asset Management Company" was founded in February 2004. The principal activity of the company is management of five unit investment funds: "Russ-Invest open unit fund of shares", "Russ-Invest open unit fund of shares and bonds", "Russ-Invest interval unit fund Hi-Tech", "Russ-Invest interval unit fund of preference shares" and "Russ-Invest open index unit fund Micex index". As of 31 December 2009 OJSC "IC RUSS-INVEST" owned 57.99% of "Russ-Invest open unit fund of shares", (31 December 2008: 63.35%), 88.85% of "Russ-Invest open unit fund of shares and bonds", (31 December 2008: 81.04%), 60.05% of "Russ-Invest interval unit fund Hi-Tech" (31 December 2008: 59.86%) and 54.88% of "Russ-Invest interval unit fund of preference shares" (31 December 2008: 54.94%).

The Group owns 34.60% in the “Russ-Invest open index unit fund Micex index” (2008: 34.60%). The average number of persons employed by the company during the year 2009 was 21 (2008: 19). The company is wholly owned by OJSC “IC RUSS-INVEST”.

- OJSC “BERIOZKA IN LUZHNIKY” was purchased by the Group in September 2004. The principal activities of the company are trade and renting out the real estate owned by the company. The average number of persons employed by the company during the year 2009 was 18 (2008: 19). As of 31 December 2009 the Group controlled 99.94% of the company’s common stock (31 December 2008: 99.94%).
- ABR Financial B.V. was founded in Amsterdam, the Netherlands in October 2007. The principal activity of the company is investment in foreign debt and equity securities. The average number of persons employed by the company during the year 2009 was 3 (2008: 2). The company is wholly owned by OJSC “IC RUSS-INVEST”.

(b) Russian business environment

The Russian Federation is 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. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The accompanying consolidated 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 consolidated financial statements are prepared from those accounting records and adjusted as necessary to comply with the requirements of International Financial Reporting Standards (“IFRS”).

(b) Basis of measurement

The consolidated 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.

(c) Functional and Presentation Currency

The functional currency of the parent company is the Russian Rouble (RUR) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The RUR is also the Group’s presentation currency for the purposes of these consolidated financial statements.

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

(d) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements. Changes in accounting policies described at the end of this note.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the OJSC "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, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Parent company controls another entity. 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 unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Investments in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of cost of the associate as the effect of applying equity accounting had no material effect on these consolidated financial statements.

(c) Minority interest

Minority interest is that part of the profit or loss, other comprehensive income and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Group.

Minority interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Group. Minority interest in profit or loss of the Group is separately disclosed in the consolidated statement of comprehensive income.

(d) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss.

As at 31 December 2009, the exchange rates used for translation of balances in foreign currencies were 30.2442 USD/RUR and 43.3883 EUR/RUR (31 December 2008: 29.3804 USD/RUR and 41.4411 EUR/RUR).

(f) Cash and cash equivalents

Cash and cash equivalents are items which can be converted into cash within a day. All current accounts and call deposits with banks are included in placements with banks and other financial institutions. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

(g) Financial instruments**(i) Classification**

Financial instruments at fair value through profit or loss are financial assets or liabilities were either:

- financial instruments held for trading, acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- a derivative (except for a derivative that is a designated and effective hedging instrument) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or
- meet the definition of loans and receivables.

Available-for-sale financial instruments are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial asset that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

(ii) Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest 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. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

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 reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale asset is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) **Derecognition**

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

(h) **Repurchase and reverse repurchase agreements**

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the reverse repo agreement using the effective interest rate method.

(i) **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(j) **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**

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

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

buildings	50 years
equipment and software	3 years
fixtures and fittings	5 years
vehicles	10 years

(k) Intangible assets**(i) Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill and brands is recognized in profit or loss as an expense as incurred.

(ii) Amortisation

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets range from 3 to 5 years.

(l) Impairment***Financial assets carried at amortized cost***

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses in respect of asset measured at amortised cost are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(m) Provisions

A provision is recognised in the consolidated statement of financial position 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.

(n) 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 rules and regulation Russian legislation.

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

(o) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method 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 reporting 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.

(p) Interest income and expense

With the exception of financial instruments held for trading, interest income and expense are recognised in profit or loss using the effective interest method. Interest income on financial instruments held for trading comprises coupon interest only. Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in net securities trading income/(loss).

(q) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

(r) Dividend income

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

(s) Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the Group's non-monetary assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

(t) Changes in accounting policies

Starting from 1 January 2009 the Group adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these pronouncements on its financial statements.

- IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will be measured at its fair value.
- IFRS 3 *Business Combinations* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure minority interest using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 January 2010) clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009) addresses the accounting for non-cash dividend distributions to owners. The interpretation clarifies when and how the non-cash dividend should be recognised and how the differences between the dividend paid and the carrying amount of the net assets distributed should be recognised.

4 Interest income

	2009	2008
	RUR'000	RUR'000
Securities	112,939	151,565
Placements with banks and other financial institutions	941	23
Loans to employees	662	203
	114,542	151,791

5 Net securities trading income/(loss)

	2009	2008
	RUR'000	RUR'000
Equity instruments	1,540,950	(1,799,133)
Debt instruments	33,319	(322,495)
Derivative financial instruments	(4,066)	9,548
	1,570,203	(2,112,080)

6 Net foreign exchange loss

	2009	2008
	RUR'000	RUR'000
Loss from revaluation of financial assets and liabilities	(116)	(138)
Gain/(loss) on foreign exchange transactions	2	(1,329)
	(114)	(1,467)

7 Other operating income

	2009	2008
	RUR'000	RUR'000
Rentals	14,004	13,114
Sales revenue	9,276	1,869
Consulting services	1,190	4,046
Underwriting services	-	596
Other	2,429	476
	26,899	20,101

8 Impairment losses

	2009	2008
	RUR'000	RUR'000
Financial instruments held for trading	(96,157)	(65,295)
Investment in associate	(29,040)	-
Financial instruments available-for-sale	-	(26,510)
	(125,197)	(91,805)

9 General administrative expenses

	2009	2008
	RUR'000	RUR'000
Employee compensation	101,927	92,589
Communication and information services	21,915	5,623
Depreciation and amortisation	19,426	15,959
Taxes other than income tax	17,957	22,955
Rent	14,511	8,881
Professional services	10,025	9,952
Advertising	9,500	16,360
Repair and maintenance	8,033	13,024
Brokerage and depositary services	3,374	2,995
Insurance	2,730	2,674
Security	2,643	2,451
Travel and representation services	1,786	468
Bank services	858	544
Shareholders' meeting expenses	283	961
Other	25,487	28,267
	240,455	223,703

10 Income tax expense/(benefit)

	2009	2008
	RUR'000	RUR'000
Current tax expense		
Current year	24,742	5,589
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	255,937	(481,760)
Total income tax expense/(benefit)	280,679	(476,171)

The applicable tax rate for current tax is 20% (2008: 24%). The Group applied 20% deferred tax rate (2008: 20%).

Reconciliation of effective tax rate:

	2009		2008	
	RUR'000	%	RUR'000	%
Profit/(loss) before income taxes	1,402,693		(2,213,118)	
Income tax at the applicable tax rate	280,539	20.0%	(531,148)	24.0%
Non-taxable income less non-deductible costs	(9,723)	(0.7%)	(8,690)	0.4%
Change in unrecognized deferred tax assets	9,912	0.7%	-	-
Income taxed at lower tax rates	(49)	(0.0%)	-	-
Change in rates	-	-	63,667	(2.9%)
	280,679	20.0%	(476,171)	21.5%

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 2009 and 2008. These temporary differences are listed below at their tax effected accumulated values:

RUR'000	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Financial instruments held for trading	49,153	68,477	-	-	49,153	68,477
Financial instruments available-for-sale	4,662	6,084	-	-	4,662	6,084
Investment in associate	5,810	-	-	-	5,810	-
Other assets	693	-	-	-	693	-
Property and equipment	17	16	(11,491)	(10,628)	(11,474)	(10,612)
Other liabilities	284	619	-	-	284	619
Tax loss carry-forward	2,593	248,120	-	-	2,593	248,120
Net tax asset (liability)	63,212	323,316	(11,491)	(10,628)	51,721	312,688
<i>Out of which:</i>						
Net asset (by individual company)					55,958	316,748
Net liability (by individual company)					(4,237)	(4,060)

The rate of tax applicable for deferred taxes is 20% (2008: 20%).

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in year 2019.

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows:

RUR'000	Balance 1 January 2009	Recognized in profit or loss	Recognized in equity	Currency translation difference	Balance 31 December 2009
Financial instruments held for trading	68,477	(19,243)	-	(81)	49,153
Financial instruments available-for-sale	6,084	3,527	(4,949)	-	4,662
Investment in associate	-	5,810	-	-	5,810
Other assets	-	693	-	-	693
Property and equipment	(10,612)	(862)	-	-	(11,474)
Other liabilities	619	(335)	-	-	284
Tax loss carry-forward	248,120	(245,527)	-	-	2,593
	312,688	(255,937)	(4,949)	(81)	51,721

RUR'000	Balance 1 January 2008	Recognized in profit or loss	Recognized in equity	Balance 31 December 2008
Placements with banks and other financial institutions	(10)	10	-	-
Financial instruments held for trading	(156,669)	225,146	-	68,477
Financial instruments available-for-sale	1,314	3,496	1,274	6,084
Other assets	342	(342)	-	-
Property and equipment	(17,523)	6,911	-	(10,612)
Other liabilities	2,200	(1,581)	-	619
Tax loss carry-forward	-	248,120	-	248,120
	(170,346)	481,760	1,274	312,688

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

RUR'000	2009			2008		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Net change in fair value of available-for-sale assets	24,743	(4,949)	19,794	6,372	(1,274)	5,098
Other comprehensive income	24,743	(4,949)	19,794	6,372	(1,274)	5,098

11 Placements with banks and other financial institutions

	2009 RUR'000	2008 RUR'000
Current accounts		
OECD banks	42,599	5,802
Subsidiaries of OECD banks	3,125	2,787
Large Russian banks	5,081	4,598
Other foreign banks and financial organisations	359,926	104,901
Other Russian banks and financial organisations	641,005	192,366
	1,051,736	310,454
Term deposits		
Large Russian banks	-	182
	-	182
	1,051,736	310,636

Concentration of placements with banks and other financial institutions

As at 31 December 2009 and 2008 balances of placements with banks and other financial institutions, held with counterparties, which individually comprised more than 10% of total placements with banks and other financial institutions were as follows:

	2009	2008
	RUR'000	RUR'000
MICEX	539,726	151,282
KBC Clearing (Netherlands)	296,264	103,819
	835,990	255,101

12 Financial instruments held for trading

	2009	2008
	RUR'000	RUR'000
Assets		
Debt and other fixed-income instruments		
<i>Corporate bonds, not impaired</i>		
JSC VTB Bank	105,429	-
Mechel, OJSC	79,938	20,197
Southern Telecommunications Company, PJSC	56,958	62,296
Promtractor- Finance, LLC	50,733	55,163
Gazenergoset, OJSC	44,219	50,077
LUKOIL, OJSC	43,110	26,086
TMK, OAO	33,557	45,768
The Regional Mortgage Agency of the Tomsk Region	30,271	30,200
Amurmetal, OJSC	26,603	12,131
UK HidroOGK, OJSC	25,617	9,650
Sibirtelekom, OJSC	20,748	-
GAZPROM, JSC	16,270	2
Akron, OJSC	15,896	-
ITERA FINANCE, LLC	15,289	52,351
Sistema, JSFC	9,257	-
CJSC Zheldoripoteka	8,549	60,101
Uralsvyazinform, OJSC	5,298	7,153
Oil Transporting Joint Stock Company Transneft	3,265	-
Kuban power and electrification, OJSC	1,539	-
Synterra, CJSC	-	68,558
Novosibirsk Tin Integrated Works, JSC	-	50,813
"Karat" JSC	-	37,167
SUN Interbrew Finance, LLC	-	30,813
LOMO, Plc	-	25,413
CenterTelekom, OJSC	-	24,742
Territorial Generation Company #10, OJSC	-	20,641

	2009	2008
	RUR'000	RUR'000
Joint Stock investment commercial Bank Tatfondank, JSC	-	17,305
Mariysky NPZ-Finance, LLC	-	13,696
EFKO, OJSC	-	9,251
AiF-MediaPressa-Finance, LLC	-	4,987
MiG Finance, LLC	-	4,018
Total corporate bonds, not impaired	592,546	738,579
Corporate bonds, impaired		
MLK-Finance, LLC	68,084	159,323
Parnas-M, OJSC	48,074	39,804
Russkiye Masla Trading House, LLC	10,202	4,611
Arkada	4,480	1,251
Marta Finance, CJSC	30,612	25,491
Total corporate bonds, impaired	161,452	230,480
Municipal bonds		
Kaluzhskaya Oblast	8,517	4,347
Krasnodar Region	-	8,403
Total municipal bonds	8,517	12,750
Total debt and other fixed-income instruments	762,515	981,809
Equity investments		
MMC Norilsk Nickel, OJSC	260,756	79,406
Rosneft Oil Company	253,814	152,601
LUKOIL, OJSC	187,865	116,596
Surgutneftegas, OJSC	184,999	134,892
Sberbank	177,671	51,382
GAZPROM, JSC	155,984	94,268
JSC VTB Bank	107,122	51,533
VolgaTelecom, OJSC	77,907	15,877
Surgutneftegas, OJSC (preferred shares)	71,930	11,550
Novolipetsk Steel, OJSC	65,757	21,559
Uralsvyazinform, OJSC	60,629	36,011
Royal Dutch Shell, Plc	60,088	-
Sibirtelecom, OJSC	55,993	12,311
Russ Invest open unit fund Micex Index	53,927	24,188
Mobile TeleSystems, OJSC	51,610	26,017
Aeroflot-Russian Airlines, JSC	49,707	19,823
Oil Transporting Joint Stock Company Transneft (preferred shares)	47,100	13,015
Uralsvyazinform, OJSC (preferred shares)	47,059	724
Sibirtelecom, OJSC (preferred shares)	45,988	9,230
Slavneft-Megionneftegaz, OJSC	43,866	11,988

	2009	2008
	RUR'000	RUR'000
Tatneft, OJSC	37,171	12,962
ArcelorMittal, S.A. (ADR)	36,540	-
North West Telekom, OJSC (preferred shares)	33,235	619
North West Telecom, OJSC	29,812	16,684
Sberbank (preferred shares)	29,302	8,274
VolgaTelecom, OJSC (preferred shares)	28,615	-
Total Fina Elf S.A. (ADR)	28,241	-
Nokia (ADR)	25,024	-
Rostelekom, OJSC (preferred shares)	21,990	3,958
JSC RusHydro	18,988	6,077
Bank of Moscow, OJSC	16,250	14,064
Rostelecom, OJSC	14,096	26,510
PHI (ADR)	13,705	-
Aegon N.V. (ADR)	12,628	-
ING Groep N.V.	10,897	-
TNT N.V.	8,118	-
Sistema, JSFC	5,074	959
Unilever plc (ADR)	4,921	-
Aegon N.V.	4,774	-
Royal KPN N.V.	4,747	-
ING Groep N.V. (ADR)	4,711	-
Orc Software	4,518	-
Royal Philips Electronics	4,221	-
AXUS AXA S.A. (ADR)	3,596	-
DEUSCHE BANK A.G. NA O.N.	3,216	-
CAP GEMINI	2,774	-
E.ON A.G.	2,536	-
RBC Information systems	2,535	385
ASML HOLDING N.V. (NY REG SHS)	2,511	-
Societe Generale, Plc	1,854	-
European Aeronautic Defence and Space Company EADS N.V.	1,851	-
Baltika Breweries, OAO	1,691	770
Novatek, OAO	1,531	2,922
TOGNUM A.G.	1,510	-
CARREFOUR GROUP	1,456	-
Magnitogorsk Iron and Steel Works, OJSC	1,251	11,991
Alcatel-Lucent S.A.	1,171	-
Deutsche Lufthansa A.G. (VNA O.N.)	1,020	-
DANONE	929	-
Pharmacy Chain 36.6, OAO	781	228
KON. KPN N.V.	521	-
Southern Telecommunications Company, OJSC (preferred shares)	313	58
AIRFRANCE	239	-

	2009	2008
	RUR'000	RUR'000
Sustainability PROBono Exchange	5	-
Polyus Zoloto, OJSC	-	39,900
Severstal, OJSC	-	5,487
Southern Telecommunications Company, OJSC	-	3,720
GAZPROM NEFT, JSC	-	2,782
Magnit, OJSC	-	1,663
Concern Kalina, OJSC	-	1,178
Uralkalii, OJSC	-	954
"ROSBANK" (OJSC JSCB)	-	600
Slavneft-Megionneftegaz, OJSC (preferred shares)	-	450
VSMPO-AVISMA Corporation, Plc	-	7
Companies of former RAO UES		
FGC UES, JSC	6,607	2,547
JSC "IDGC Holding"	4,974	1,495
JSC "IDGC Holding" (preferred shares)	1,287	-
JSC "WGC-3"	1,230	302
JSC "OGK-2"	938	264
JSC "OGK-6"	860	315
JSC "RAO Energy System of East" (preferred shares)	593	-
JSC "RAO Energy System of East"	555	124
Kuzbassenergo, OJSC	378	98
JSC TGK-4	354	221
JSC TGK-6	308	115
Mosenergo, OJSC	-	3,337
OGK-1, OJSC	-	668
JSC TGK-10	-	549
JSC INTER RAO UES	-	541
JSC TGK-1	-	259
VolgaTGC, OJSC	-	162
JSC TGK-9	-	152
JSC TGK-13	-	105
JSC TGK-2	-	82
JSC TGK-14	-	54
OGK-4, JSC	-	5
Total equity instruments	2,508,725	1,057,568
Derivative financial instruments		
Options	46,766	2,613
Total derivative financial instruments	46,766	2,613
Total financial instruments held for trading - assets	3,318,006	2,041,990
Provision for impairment of corporate bonds	(161,452)	(65,295)
	3,156,554	1,976,695

	2009	2008
	RUR'000	RUR'000
Liabilities		
Obligations to deliver equity instruments		
Total Fina Elf S.A.	103,290	-
ArcelorMittal, Plc	67,151	-
Royal Philips Electronics	33,603	-
Akzo Nobel N.V.	28,630	-
Nokia	27,744	-
Unilever, Plc	22,153	-
DSM Group	18,235	-
Royal Dutch (ADR)	17,815	-
BNP Paribas, Plc	14,041	-
ASML Holding N.V.	11,738	-
Vivendi S.A.	8,651	-
France Telecom S.A.	8,352	-
Sanofi-Synthelabo	4,833	-
CARREFOUR GROUP (ADR)	4,365	-
European Aeronautic Defence and Space Company EADS N.V. (ADR)	646	-
GDF SUEZ S.A.	589	-
AXA S.A.	527	-
Total obligations to deliver equity instruments	372,363	-
Derivative financial instruments		
Options	50,412	-
Total derivative financial instruments	50,412	-
Total financial instruments held for trading - liabilities	422,775	-

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

Analysis of movements in the provision for impairment

	2009	2008
	RUR'000	RUR'000
Balance at the beginning of the year	65,295	-
Net charge to provision for the year	96,157	65,295
Balance at the end of the year	161,452	65,295

Derivative financial instruments

The fair values of derivative instruments held are set out in the following table:

	31 December 2009			31 December 2008		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
<i>Securities derivative contracts</i>						
- purchased securities call options	596,907	32,240	-	24,674	1,333	-
- written securities call options	855,804	-	(31,797)	20,188	-	-
- purchased securities put options	589,196	13,300	-	56,703	1,280	-
- written securities put options	968,165	-	(17,966)	-	-	-
- securities futures	3,308	640	(649)	-	-	-
<i>Precious metals derivative contracts</i>						
- purchased precious metals call options	6,714	299	-	-	-	-
- purchased precious metals put options	6,714	287	-	-	-	-
Total derivative financial instruments		46,766	(50,412)		2,613	

All derivatives are recognised at fair value, with changes in fair value being immediately recognised in the consolidated statement of comprehensive income. Derivatives with positive fair values are recorded within assets, while derivatives with negative fair values are included in liabilities.

Precious metal options and securities futures and options are exchange traded contracts which establish terms and conditions of a deal which is settled at a future date.

13 Financial instruments available-for-sale

	2009 RUR'000	2008 RUR'000
<i>Equity instruments – listed</i>		
OA0 Sredneuralskiy Medeplavilniy Zavod	2,968	4,064
TGK-11 Holding	126	7
	3,094	4,071
<i>Equity instruments – unlisted</i>		
TNK-BP Holding	44,638	39,890
LOMO	9,518	7,806
Nizhnevartovskneftegaz	1,513	1,513
Intewoodservice	100	100
Na Tverskoy	100	100
Stock exchange RTS	75	8
TGK-11 Holding (preferred shares)	20	37
	55,964	49,454
<i>Debt instruments – unlisted</i>		
Promissory notes of Bank "Rossiyskiy Credit"	43	53
	43	53
	59,101	53,578
Provision for impairment of unlisted financial instruments	(7,305)	(31,981)
	51,796	21,597

Unlisted available-for-sale investments in the amount of RUR 9,761 thousand are stated at cost (2008: RUR 8,059 thousand). There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows. However, management of the Group believes it unlikely that the fair value at the year end would differ significantly from that carrying amount.

The shares of TNK-BP Holding are not listed on a recognized stock exchange however indicative quotes are available on the RTS Board (information system of indicative quotations for securities which are not admitted to trading on the RTS Stock Exchange). The carrying amount was compared to the fair value as indicated by the RTS Board and a provision in the amount RUR 3,450 thousand (2008: RUR 26,510 thousand) was created in these consolidated financial statements.

Analysis of movements in the provision for impairment

	2009	2008
	RUR'000	RUR'000
Balance at the beginning of the year	31,981	5,471
Net charge to provision for the year	-	26,510
Recovery of provision through revaluation reserve in equity	(24,676)	-
Balance at the end of the year	7,305	31,981

14 Other assets

	2009	2008
	RUR'000	RUR'000
Income tax prepayments	60,936	85,515
Loans issued to related parties	26,560	-
Settlements with other debtors	23,289	17,723
Settlements with suppliers and contractors	9,700	10,174
Settlements with budget on taxes other than on income	5,258	3,095
Prepaid expenses	776	1,221
Loans to employees	238	1,560
	126,757	119,288

15 Property, equipment and intangible assets

RUR'000	Buildings	Vehicles	Equipment and software	Fixtures and fittings	Total
Cost					
At 1 January 2009	147,048	12,819	36,208	14,070	210,145
Additions	-	-	11,212	1,226	12,438
Disposals	-	-	(15,917)	(106)	(16,023)
Translation gain/(loss)	-	-	(89)	212	123
At 31 December 2009	147,048	12,819	31,414	15,402	206,683
Depreciation					
At 1 January 2009	(45,413)	(3,168)	(28,050)	(7,234)	(83,865)
Depreciation and amortisation charge	(9,477)	(1,286)	(6,748)	(1,915)	(19,426)
Disposals	-	-	15,917	106	16,023
Translation gain/(loss)	-	-	26	6	32
At 31 December 2009	(54,890)	(4,454)	(18,855)	(9,037)	(87,236)
Carrying value					
At 31 December 2009	92,158	8,365	12,559	6,365	119,447
2008					
RUR'000	Buildings	Vehicles	Equipment and software	Fixtures and fittings	Total
Cost					
At 1 January 2008	145,011	11,918	37,816	8,648	203,393
Additions	5,652	2,651	6,943	5,719	20,965
Disposals	(3,615)	(1,750)	(8,551)	(297)	(14,213)
At 31 December 2008	147,048	12,819	36,208	14,070	210,145
Depreciation					
At 1 January 2008	(35,927)	(2,712)	(29,472)	(6,602)	(74,713)
Depreciation and amortisation charge	(9,486)	(1,156)	(4,390)	(927)	(15,959)
Disposals	-	700	5,812	295	6,807
At 31 December 2008	(45,413)	(3,168)	(28,050)	(7,234)	(83,865)
Carrying value					
At 31 December 2008	101,635	9,651	8,158	6,836	126,280

16 Dividends payable

	2009	2008
	RUR'000	RUR'000
Dividends payable in respect of 2007	43,444	43,739
Dividends payable in respect of 2006	52,024	52,083
Dividends payable in respect of years prior to 2005	351,690	352,011
	447,158	447,833

Dividends payable represents amount due to shareholders not yet paid.

17 Other liabilities

	2009	2008
	RUR'000	RUR'000
Customer balances on broker operations	122,590	42,017
Settlements with other creditors	10,092	17,871
Taxes other than on income payable	3,679	468
Income tax payable	1,013	1,735
	137,374	62,091

18 Share capital

Issued capital

The authorised, issued and outstanding share capital comprises 109,000,000 ordinary shares (2008: 109,000,000). All shares have a par value of RUR 1.

Contributions to share capital made prior to 1 January 2003 have been restated by RUR 1,383,376 thousand to account for changes in the general purchasing power of the RUR in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*.

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 extraordinary meetings of the Company.

At 31 December 2009 the Group held 822,600 (2008: 150,000) of its own shares.

The weighted average number of ordinary shares used in calculating earning per share as of 31 December 2009 is 108,593,532 (2008: 108,950,685), refer to note 19.

19 Earnings per share

The calculation of basic earnings per share as at 31 December 2009 is based on the profit attributable to ordinary shareholders of RUR 1,120,635 (2008: the loss attributable to ordinary shareholders of RUR 1,731,265), and a weighted average number of ordinary shares outstanding of 108,593,532 (2008: 108,950,685) calculated as follows.

	<u>2009</u>	<u>2008</u>
Issued ordinary shares at 1 January	109,000,000	109,000,000
Effect of own shares held	(406,468)	(49,315)
Weighted average number of ordinary shares for the year ended 31 December	<u>108,593,532</u>	<u>108,950,685</u>

The Group has no dilutive potential ordinary shares.

20 Risk management

Management of risk is fundamental to the business of Investment Company and is an essential element of the Group's operations.

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors Company has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The major risks faced by the Group are those related to market risk, which includes equity price, interest rate and currency risks, and liquidity risk. These risks are managed in the following manner:

(a) Market risk

(i) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market.

Equity price risk arises when the Group takes a long or short position in an equity instrument.

An analysis of sensitivity of profit or loss and net equity to changes in equity securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in all equity securities prices is as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Profit or loss</u>	<u>Equity</u>	<u>Profit or loss</u>	<u>Equity</u>
5% increase in securities prices	85,454	87,817	40,188	41,006
5% decrease in securities prices	(85,454)	(87,817)	(40,188)	(41,006)

(ii) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecast liabilities in that maturity period.

Management of interest rates risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Group's net interest margin to various standard and non-standard interest rate scenarios.

An analysis of sensitivity of profit or loss and equity as a result of changes in fair value of financial instruments held for trading as at 31 December 2009 and 2008 due to changes in the interest rates based on simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2009		2008	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	(10,584)	(10,584)	(10,589)	(10,589)
100 bp parallel decrease	11,319	11,319	12,313	12,313

(iii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Group's exposure to currency risk at year end refer to note 27.

An analysis of sensitivity of profit or loss and net equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in RUR to EUR and other currencies exchange rates is as follows:

	2009		2008	
	Profit or loss	Equity	Profit or loss	Equity
5% appreciation of EUR against RUR	6,263	6,263	4,246	4,246
5% depreciation of EUR against RUR	(6,263)	(6,263)	(4,246)	(4,246)
5% appreciation of other currencies against RUR	5,041	5,041	42	42
5% depreciation of other currencies against RUR	(5,041)	(5,041)	(42)	(42)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Management Board. For further information on the Group's exposure to liquidity risk at year end refer to note 26.

The following tables show the undiscounted cash flows on financial assets and liabilities on the basis of their earliest possible contractual maturity, except for financial instruments held for trading and listed financial instruments available-for-sale which are shown in the demand and less than 1 month category as they can be sold in public markets and unlisted financial instruments available-for-sale which are shown in the from 6 to 12 months category as they can be sold within this period. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset and liability. The expected cash flows on these financial assets and liabilities can vary significantly from this analysis.

The liquidity position as at 31 December 2009 is as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative assets						
Cash	4	-	-	-	4	4
Placements with banks and other financial institutions	1,051,736	-	-	-	1,051,736	1,051,736
Financial instruments held for trading	3,109,788	-	-	-	3,109,788	3,109,788
Financial instruments available-for-sale	3,094	-	-	48,702	51,796	51,796
Other assets	5,714	683	1,344	35,377	43,118	43,118
Derivative assets					-	46,766
- Inflow	490,486	157,099	26,971	639	675,195	
- Outflow	(490,958)	(136,868)	(5,358)	(33,661)	(666,845)	
Total assets	4,169,864	20,914	22,957	51,057	4,264,792	4,303,208
Non-derivative liabilities						
Financial instruments held for trading	(372,363)	-	-	-	(372,363)	(372,363)
Dividends payable	(447,158)	-	-	-	(447,158)	(447,158)
Other liabilities	(132,583)	(2,728)	(2,063)	-	(137,374)	(137,374)
Derivative liabilities					-	(50,412)
- Inflow	450,582	133,236	11,807	16,776	612,401	
- Outflow	(369,123)	(268,897)	(51,641)	(21,393)	(711,054)	
Total liabilities	(870,645)	(138,389)	(41,897)	(4,617)	(1,055,548)	(1,007,307)
Net position	3,299,219	(117,475)	(18,940)	46,440	3,209,244	3,295,901

The liquidity position as at 31 December 2008 is as follows:

RUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative assets						
Cash	8	-	-	-	8	8
Placements with banks and other financial institutions	310,636	-	-	-	310,636	310,636
Financial instruments held for trading	1,974,082	-	-	-	1,974,082	1,974,082
Financial instruments available-for-sale	4,071	-	-	17,526	21,597	21,597
Other assets	4,789	4,674	19,905	89	29,457	29,457
Derivative assets					-	2,613
- Inflow	-	2,613	-	-	2,613	
- Outflow	-	-	-	-	-	
Total assets	2,293,586	7,287	19,905	17,615	2,338,393	2,338,393
Non-derivative liabilities						
Dividends payable	(447,833)		-	-	(447,833)	(447,833)
Other liabilities	(57,666)	(1,286)	(3,139)	-	(62,091)	(62,091)
Total liabilities	(505,499)	(1,286)	(3,139)	-	(509,924)	(509,924)
Net position	1,788,087	6,001	16,766	17,615	1,828,469	1,828,469

21 Contingencies

(a) 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 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 operations and financial position.

(b) Litigation

As at 31 December 2009 Group management is unaware of any significant actual, pending or threatened claims against the Group.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

22 Related party transactions

(a) Transactions with Directors and members of the Management Board

Total remuneration of Directors and members of the Management Board included in employee compensation in 2009 was RUR 16,197 thousand (2008: RUR 22,971 thousand) (refer to note 9).

The outstanding balances as of 31 December 2009 and 2008 with Directors and members of the Management Board are as follows:

	2009		2008	
	RUR'000	%	RUR'000	%
Consolidated statement of financial position				
ASSETS				
Other assets	2,630	7%	121	7%
LIABILITIES				
Compensation payable	3,309	-	4,027	-
Other liabilities	723	-	80	-

(b) Transactions with other related parties

Other related parties are those shareholders of the Group which hold more than 5% of shares. The outstanding balances as of 31 December 2009 and 2008 with other related parties and amounts included in profit or loss in relation to transactions with other related parties for the years ended 31 December 2009 and 2008 are as follows:

	2009		2008	
	RUR'000	%	RUR'000	%
Consolidated statement of financial position				
ASSETS				
Other assets	24,790	10%	4	-
LIABILITIES				
Other liabilities	29,949	-	12,400	-
Profit or loss				
Other operating income	302	-	351	-

23 Cash and cash equivalents

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

	2009	2008
	RUR'000	RUR'000
Cash	4	8
Current accounts in banks and other financial institutions	1,051,736	310,454
Less: Clients' money at stock exchanges	(122,590)	-
	929,150	310,462

24 Fair value of financial instruments

The estimated fair value of the Group's financial assets and liabilities, as required to be disclosed by IFRS 7 "Financial Instruments: Disclosures", is as follows:

The estimated fair values of all other financial assets and liabilities, except as described below, is calculated using the discounted cash flow technique based on estimated future cash flows and discount rates for similar instruments at the reporting date. 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 for a similar financial instrument at the reporting date.

As disclosed in note 13 as at 31 December 2009 the fair value of unquoted equity securities with a carrying value of RUR 9,761 thousand could not be readily determined (2008: RUR 8,059 thousand) and these have been stated at cost as management believe that this would not be significantly different from their fair value.

The estimated fair values of all financial instruments except for unquoted equity securities available-for-sale approximates their carrying values.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2009:

	Quoted market prices RUR'000	Valuation techniques based on market observable inputs RUR'000	Total RUR'000
Financial assets			
Securities held for trading	3,032,452	77,336	3,109,788
Derivative financial instruments	46,766	-	46,766
Available-for-sale assets	3,094	48,702	51,796
Financial liabilities			
Securities held for trading	372,363	-	372,363
Derivative financial instruments	50,412	-	50,412

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2008:

	Quoted market prices RUR'000	Valuation techniques based on market observable inputs RUR'000	Total RUR'000
Financial assets			
Securities held for trading	1,974,082	-	1,974,082
Derivative financial instruments	2,613	-	2,613
Available-for-sale assets	4,071	17,526	21,597

As at 31 December 2009 and 31 December 2008, the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

25 Average effective interest rates

The table below displays the Group's interest bearing assets as at 31 December 2009 and as at 31 December 2008 and their corresponding average effective interest rates as at that dates. These interest rates are an approximation of the yields to maturity of these assets.

	2009			2008		
	Average effective interest rate, %			Average effective interest rate, %		
	RUR	EUR	Other currencies	RUR	EUR	Other currencies
Interest bearing assets						
Placements with banks and other financial institutions	0.00%	0.27%	0.00%	0.00%	0.00%	0.00%
Financial instruments held for trading	11.33%	-	-	11.42%	-	-
Financial instruments available-for-sale	0.00%	-	-	0.00%	-	-

26 Maturity analysis

The following table shows Group's assets and liabilities by remaining contractual maturity dates as at 31 December 2009.

	Less than 1 month RUR'000	1 to 3 months RUR'000	3 months to 1 year RUR'000	1 year to 5 years RUR'000	More than 5 years RUR'000	No maturity RUR'000	Total RUR'000
ASSETS							
Cash	4	-	-	-	-	-	4
Placements with banks and other financial institutions	1,051,736	-	-	-	-	-	1,051,736
Financial instruments held for trading	20,713	18,750	8,841	565,874	33,649	2,508,727	3,156,554
Financial instruments available-for-sale	-	-	43	-	-	51,753	51,796
Other assets	9,262	6,901	110,431	163	-	-	126,757
Property, equipment and intangible assets	-	-	-	-	-	119,447	119,447
Deferred tax asset	-	-	-	-	-	55,958	55,958
Total assets	1,081,715	25,651	119,315	566,037	33,649	2,735,885	4,562,252
LIABILITIES							
Financial instruments held for trading	26,470	13,048	10,894	-	-	372,363	422,775
Dividends payable	447,158	-	-	-	-	-	447,158
Other liabilities	132,583	2,728	2,063	-	-	-	137,374
Deferred tax liability	-	-	-	-	-	4,237	4,237
Total liabilities	606,211	15,776	12,957	-	-	376,600	1,011,544
Net position as at 31 December 2009	475,504	9,875	106,358	566,037	33,649	2,359,285	3,550,708
Net position as at 31 December 2008	(188,845)	41,885	405,145	580,950	-	1,547,173	2,386,308
Cumulative net position as at 31 December 2009	475,504	485,379	591,737	1,157,774	1,191,423	3,550,708	
Cumulative net position as at 31 December 2008	(188,845)	(146,960)	258,185	839,135	839,135	2,386,308	

27 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	RUR	EUR	Other	Total
	RUR'000	RUR'000	RUR'000	RUR'000
ASSETS		-	-	
Cash	4	-	-	4
Placements with banks and other financial institutions	647,306	402,162	2,268	1,051,736
Financial instruments held for trading	2,862,850	156,963	136,741	3,156,554
Financial instruments available-for-sale	51,796	-	-	51,796
Other assets	122,596	4,161	-	126,757
Property, equipment and intangible assets	112,222	7,225	-	119,447
Deferred tax asset	55,958	-	-	55,958
Total assets	3,852,732	570,511	139,009	4,562,252
LIABILITIES				
Financial instruments held for trading	-	409,800	12,975	422,775
Dividends payable	447,158	-	-	447,158
Other liabilities	133,237	4,137	-	137,374
Deferred tax liability	4,237	-	-	4,237
Total liabilities	584,632	413,937	12,975	1,011,544
Net on balance sheet positions as of 31 December 2009	3,268,100	156,574	126,034	3,550,708
Net on balance sheet positions as of 31 December 2008	2,273,478	111,730	1,100	2,386,308

28 Events subsequent to the reporting date

In April 2010 the Board of Directors made the decision to propose dividends in respect of 2009 financial year in the amount of RUR 1.32 per share.