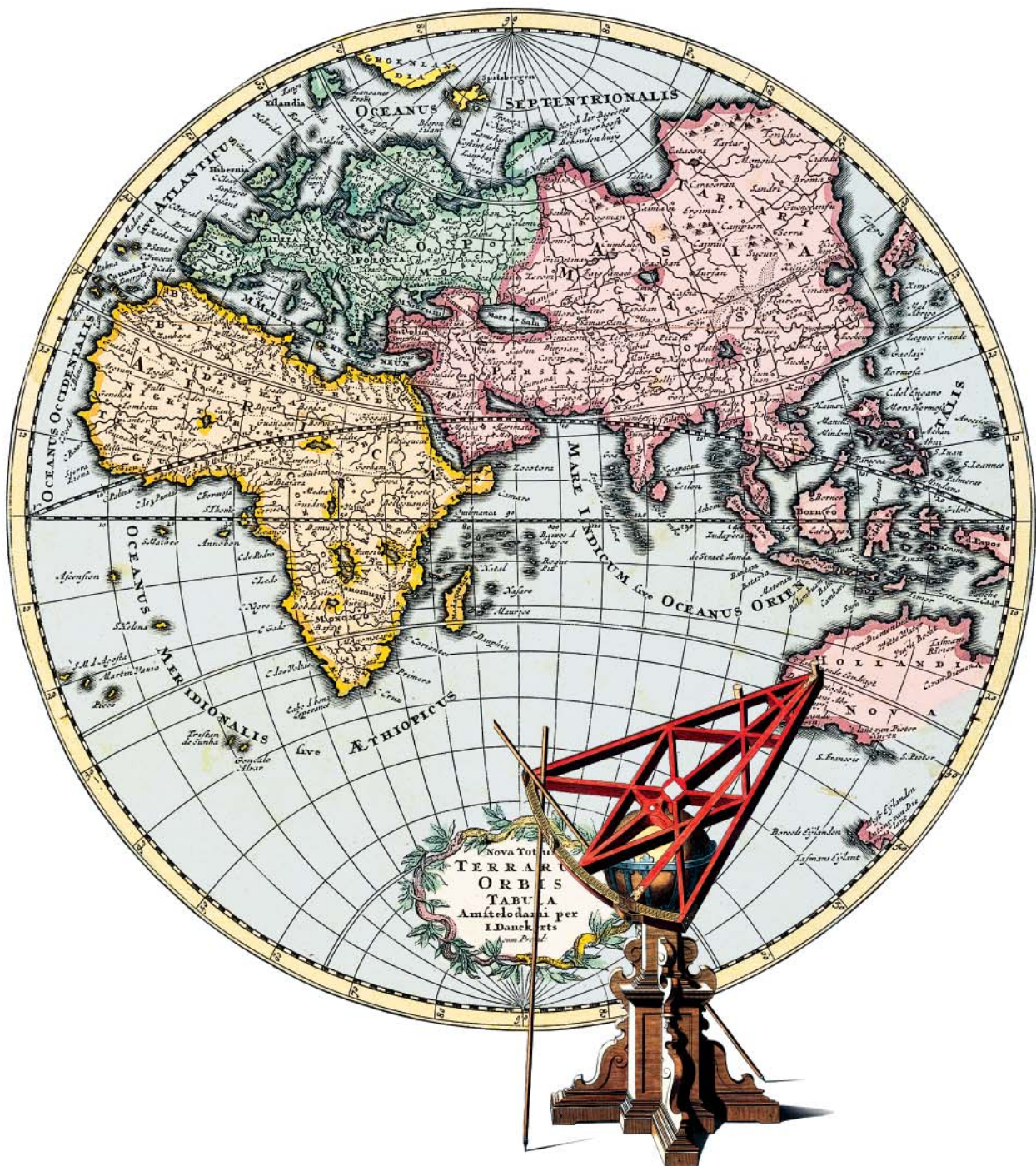


FINANCIAL STATEMENTS AND AUDITORS' REPORT 2005



НАЦИОНАЛЬНЫЙ ДЕПОЗИТАРНЫЙ ЦЕНТР
The National Depository Center

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Auditors' Report

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Auditors' Report

To the Partners of Not-For-Profit Partnership "The National Depository Center":

- 1 We have audited the accompanying balance sheet of Not-For-Profit Partnership "The National Depository Center" (the "Partnership") as at 31 December 2005, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Partnership's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

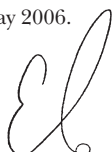
16 May 2006

Balance Sheet

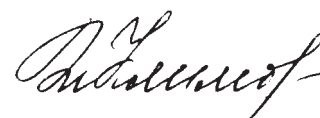
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<i>In thousands of Russian Roubles</i>	Note	31 December 2005	31 December 2004
CURRENT ASSETS			
Cash and cash equivalents	7	120 007	200 614
Due from banks	8	463 958	292 593
Trade and other receivables	9	93 085	61 357
Current income tax asset		9 039	16 075
TOTAL CURRENT ASSETS		686 089	570 639
NON-CURRENT ASSETS			
Investment securities available-for-sale	10	—	33 040
Investments in associates	10	78 225	—
Office and computer equipment	11	20 461	16 376
Computer software	11	12 561	15 823
Deferred tax asset	18	—	4 991
TOTAL NON-CURRENT ASSETS		111 247	70 230
TOTAL ASSETS		797 336	640 869
CURRENT Liabilities			
Dividends transferable to clients' shareholders	12	86 929	173 990
Trade and other payables	13	65 421	63 459
Redeemable participant contributions	14	62 030	55 500
TOTAL CURRENT LIABILITIES		214 380	292 949
NON-CURRENT LIABILITIES			
Deferred tax liability	18	4 761	—
TOTAL NON-CURRENT LIABILITIES		4 761	—
TOTAL LIABILITIES		219 141	292 949
EQUITY			
Retained earnings	15	578 195	347 920
TOTAL EQUITY		578 195	347 920
TOTAL LIABILITIES AND EQUITY		797 336	640 869

Signed on 16 May 2006.



N. Egorov
Director



Zh. Klimova
Chief Accountant

Income Statement

<i>In thousands of Russian Roubles</i>	Note	Year ended 31 December 2005	Year ended 31 December 2004
Commission income from depository services		578 725	427 872
Interest income	16	27 327	17 992
Other operating income		1 288	—
Administrative and other operating expenses	17	(308 218)	(251 212)
Foreign exchange translation gains less losses		(104)	(4)
Impairment loss	9	102	(76)
Share of after tax profit of associates	10	15 988	—
Profit before tax		315 108	194 572
Income tax expense	18	(84 833)	(53 772)
Profit for the year		230 275	140 800

Statement of Changes in Equity

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<i>In thousands of Russian Roubles</i>	Retained earnings	Total equity
Balance at 1 January 2004	207 120	207 120
Profit for the year	140 800	140 800
Balance at 31 December 2004	347 920	347 920
Profit for the year	230 275	230 275
Balance at 31 December 2005	578 195	578 195

Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	Note	Year ended 31 December 2005	Year ended 31 December 2004
Cash flows from operating activities			
Commission income received		563 166	416 934
Interest income received		18 369	10 399
Other operating income received		1 287	—
Operating expenses paid		(321 920)	(268 138)
Income tax paid		(68 045)	(58 807)
Cash flows from operating activities before changes in operating assets and liabilities		192 857	100 388
Changes in operating assets and liabilities			
Net increase in due from banks		(162 407)	(111 074)
Net (increase)/decrease in trade and other receivables		(16 294)	143
Net increase in trade and other payables		22 858	38 005
Net (decrease)/increase in dividends transferable to clients' shareholders		(87 065)	164 450
Net cash (used in)/from operating activities		(50 051)	191 912
Cash flows from investing activities			
Acquisition of office and computer equipment and computer software		(8 601)	(11 122)
Proceeds from sale of office and computer equipment and computer software		709	380
Acquisition of investments in associates		(22 667)	—
Acquisition of investment securities available-for-sale		—	(30 208)
Net cash used in investing activities		(30 559)	(40 950)
Effect of exchange rate changes on cash and cash equivalents		3	(4)
Net (decrease)/increase in cash and cash equivalents		(80 607)	150 958
Cash and cash equivalents at the beginning of the year		200 614	49 656
Cash and cash equivalents at the end of the year	7	120 007	200 614

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Notes to the Financial Statements

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1. INTRODUCTION

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2005 for Not-For-Profit Partnership “The National Depository Center” (the Partnership).

The Partnership was incorporated on 11 February 1997 and is domiciled in the Russian Federation. The Partnership is a not-for-profit partnership set up by legal entities in accordance with Russian regulations.

Principal activity. The principal activity of the Partnership is depository, settlement and clearing activities. The Partnership operates under licenses for depository, settlement and clearing activities issued by the Federal Commission on Securities Market on 4 December 2000.

The main founders of the Partnership are Closed Joint-Stock Company Moscow Interbank Currency Exchange (MICEX) and the Central Bank of the Russian Federation (CBRF) holding 46.8% and 39.5% of the Partnership’s net worth and 50.3% and 42.4% of the voting rights, respectively.

The number of the Partnership’s employees as at 31 December 2005 was 163 (2004: 146).

The Partnership has representative offices in St. Petersburg, Novosibirsk and Rostov-on-Don.

Registered address and place of business. The Partnership’s registered address is:

Sr. Kislovsky per. 1/13, building 4, Moscow 125009, Russian Federation.

Presentation currency. These financial statements are presented in thousands of Russian Roubles (“RR thousands”).

2. OPERATING ENVIRONMENT OF THE PARTNERSHIP

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”)

Notes to the Financial Statements

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under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated in Note 5.

Key measurement terms. Depending on their classification financial assets and liabilities are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter

period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day. Cash and cash equivalents are carried at amortised cost.

Due from banks. Amounts due from banks are recorded when the Partnership advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortised cost.

Investment securities available for sale. Investments securities available for sale include investment securities which the Partnership intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Partnership classifies investments as available for sale at the time of purchase and reassesses that classification at each subsequent balance sheet date.

Investment securities available for sale are carried at fair value. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Partnership's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Notes to the Financial Statements

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Investments in associates. An associate is an entity, including an unincorporated entity such as a partnership, over which the Partnership has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Partnership classifies investments in associates at the time when a reliable evidence of significant influence over an associated company does exist.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Partnership's share of the profit or loss of the investee after the date of acquisition. The Partnership's share of the profit or loss of the investee is recognised as income. Distributions received from an investee reduce the carrying amount of the investment.

Fixed assets. Fixed assets include office and computer equipment and are stated at cost, adjusted to the purchasing power of the Russian Rouble at 31 December 2002 for the items acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation of fixed assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life which is 10 years .

The residual value of an asset is the estimated amount that the Partnership would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Partnership expects to use the asset until the end of its physical life. The as-

sets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible Assets. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful life which is estimated to be 4 years. At each balance sheet date, the Partnership assesses if there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

Trade and other receivables. Trade and other receivables are carried at amortised cost. Provision for impairment of receivables is established when there is objective evidence that the Partnership will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

Operating leases. Where the Partnership is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Partnership, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement except if it is recognised directly in equity because it relates to transac-

Notes to the Financial Statements

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tions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Redeemable participants' contributions. The Partnership's equity participants have a right to request the Partnership to return original contributions in cash or in kind. The Partnership's obligation to redeem gives rise to a financial liability for the present value of the redemption amount. This financial liability is recognised at the amount of contributions originally made by the participants and which are repayable on demand.

Income and expense recognition. All fees, commission, interest and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Foreign currency translation. Functional currency of the Partnership is the currency of the primary economic environment in which the entity operates. The Partnership's functional currency and the Partnership's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of income using the exchange rate at that date.

Monetary assets and liabilities denominated in foreign currency are translated into Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation at the balance sheet date.

At 31 December 2005 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 28.7825 (2004: USD 1 = RR 27.7487).

Fiduciary assets. Assets and liabilities held by the Partnership in its own name, but on the account of third parties, are not reported on the balance sheet. The extent of such balances and transactions is indicated in Note 20. Commissions received from fiduciary activities are shown in commission income from depository services.

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Partnership.

Notes to the Financial Statements

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4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Redeemable participants' contributions. The liability for the redemption right held by the Partnership's equity participants is classified as 'at fair value through profit or loss' under IAS 32 (revised 2003). It should be measured at fair value, being the present value of the expected redemption amount. It is impractical to determine the exact fair value of this liability as it is unknown when and if participants will withdraw from the Partnership. The Partnership's accounting policy for determining this amount, applied as a practical expedient, is disclosed in Note 3. The Partnership's liability to return participants' contributions is RR 62 030 thousand at 31 December 2005 (2004: RR 55 500 thousand). This amount would have been payable if all participants had exercised their redemption rights at the balance sheet date.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Notes 18 and 20.

Investment securities available-for-sale. As at 31 December 2004 the Partnership classified investments in ZAO Depository Clearing Company (DCC) as investment securities available-for-sale rather than classifying them as investments in associates. Until June 2005 the Partnership had no representatives in the Board of Directors of DCC and it was uncertain whether any representatives can be appointed. Therefore, until June 2005 the investment in DCC was classified as AFS. At the annual meeting of DCC's shareholders that was held in June 2005 the Partnership obtained a representation in the Board of Directors of DCC and therefore the investment was reclassified as an associate.

Investments in associates. The Management determines significant influence as participation in the Board of Directors of the investee and therefore classifies investments as associates from the date when such participation is obtained. The fair value of the associated company ZAO Depository and Clearing Company was estimated based on its audited financial statements, prepared in compliance with IFRS. The associated company Settlement Depository Co., LTD (RDK) does not prepare financial statements in compliance with IFRS. However, the analysis of these financial statements done by the Partnership's Management allowed them to conclude that profit calculated under Russian Accounting Rules (RAR) is fair representation of the IFRS profit for the year ended 31 December 2005.

Related party transactions. In the normal course of business the Partnership enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions.

Notes to the Financial Statements

5. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been published that are mandatory for the Partnership's accounting periods beginning on or after 1 January 2006 or later periods and which the Partnership has not early adopted as of the reporting date:

IAS 39 (Amendment) – The Fair Value Option (effective from 1 January 2006). IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category.

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and some of the requirements in IAS 32, "Financial Instruments: Disclosure and Presentation". The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Partnership is currently assessing what impact IFRS 7 and the amendment to IAS 1 will have on disclosures in its financial statements.

Other new standards or interpretations. The Partnership has also not early adopted amendments to IAS 19 (Actuarial Gains and Losses, Group Plans and Disclosures), IAS 21 (Net Investment in a For-

eign Operation), IAS 39 (Cash Flow Hedge Accounting of Forecast Intragroup Transactions; Financial Guarantee Contracts), the new IFRIC interpretations 4 to 9 and the new standard IFRS 6 including related subsequent corrections to it and to IFRS 1.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Partnership's financial statements when they will be adopted on 1 January 2006 or later.

6. FIRST-TIME ADOPTION OF IFRS

These financial statements are the Partnership's first annual financial statements that comply with IFRS. The Partnership's IFRS transition date is 1 January 2004. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of IFRS valid as of 31 December 2005 in preparing the opening IFRS balance sheet at 1 January 2004 and in subsequent periods up to the first IFRS reporting date.

The following reconciliations provide a quantification of the effect of the transition from RAR to IFRS at 31 December 2003, 31 December 2004 and 31 December 2005, for the year 2004 and for the year 2005:

Notes to the Financial Statements

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<i>In thousands of Russian Roubles</i>	31 December 2005	31 December 2004	31 December 2003
EQUITY UNDER RAR	625 148	419 223	271 190
Effects of changes in accounting policies:			
(i) Premises and equipment: adjustment for hyperinflation	72 540	73 592	48 518
(ii) Effect of depreciation adjustment	(79 929)	(82 025)	(69 660)
(iii) Intangible assets: recognition	11 239	8 640	6 181
(iv) Recognition of deferred tax	(4 761)	4 990	2 391
(v) Recognition of income from investments in associates	15 988	–	–
(vi) Other: accruals	–	(21 000)	(1 500)
(vii) Recognition of a liability for redeemable participants' contributions	(62 030)	(55 500)	(50 000)
IFRS EQUITY	578 195	347 920	207 120

<i>In thousands of Russian Roubles</i>	2005	2004
PROFIT UNDER RAR	199 395	147 533
(i) Effect of depreciation adjustment	1 045	(4 625)
(ii) Intangible assets: recognition	2 598	2 459
(iii) Recognition of deferred tax asset/(liability)	(9 751)	2 600
(iv) Recognition of the associates' profit	15 988	–
(v) Other: accruals and other	21 000	(7 167)
IFRS PROFIT	230 275	140 800

The key adjustments for the differences between RAR and IFRS were attributable to the following:

- (i) **Office and computer equipment: adjustment for hyperinflation.** The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. As part of the Partnership's transition to IFRS, non-monetary assets, and non-monetary liabilities arising from transactions prior to 1 January 2003 were restated in accordance with IAS 29 for the changes in the general purchasing power of the Russian Rouble from the dates of the transactions until 31 December 2002.

The amounts expressed in the measuring unit current at as 31 December 2002 are treated as the basis for the carrying amounts in these financial statements. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, transactions after 1 January 2003 are not subject to restatement in accordance with the provisions of IAS 29.

- (ii) **Intangible assets: recognition of intangible assets under IAS 38.** Under RAR an asset may be classified as intangible asset and capitalised only if it is represented by exclusive rights for the use. Otherwise an asset is classified as a prepaid ex-

Notes to the Financial Statements

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pense. The effect on equity is caused by different amortisation periods under RAR and IFRS.

- (iii) **Deferred tax: recognition under the balance sheet liability method.** This adjustment was required to recognise deferred taxes under the balance sheet liability method for temporary differences as detailed in Note 18. The difference between RAR and IFRS is that RAR requires income statement liability method whereas IFRS requires balance sheet liability method.
- (iv) **Recognition of financial liabilities.** The adjustment was required to recognise financial liability under IAS 39 (revised 2003). Under RAR the financial liability to redeem participants' original contributions was recognised as share capital and retained earnings or the net worth of the Partnership.
- (v) **Other:** Other adjustments were attributable to accruals for bonuses and other adjustments necessary to bring these financial statements in compliance with IFRS. Under RAR the expenses are accrued when actually incurred for which documentary evidence should exist. Since there is no documentary evidence for bonuses declared by the Partnership they are recognised when paid under RAR.

The Partnership's operating, investing and financing cash flows reported under RAR did not significantly differ from IFRS.

7. CASH AND CASH EQUIVALENTS

<i>In thousands of Russian Roubles</i>	2005	2004
Current accounts	119 999	200 605
Cash on hand	8	9
Total cash and cash equivalents	120 007	200 614

As at 31 December 2005 67% (2004: 5%) of current account balances were held with ZAO NKO MICEX Settlement Chamber. Other current accounts are held with the banks located in Moscow, Russia. Current accounts bear no interest.

Geographical, currency, maturity and interest rate analysis of cash and cash equivalents is disclosed in Note 19.

Information on related party transactions is disclosed in Note 22.

8 DUE FROM BANKS

<i>In thousands of Russian Roubles</i>	2005	2004
Term deposits with banks	463 958	292 593
Total due from banks	463 958	292 593

All deposits are held with six Moscow banks (2004: five) and are denominated in Russian Roubles. These bank deposits bear interest at effective rates varying from 5.7% to 7.8% p.a. (2004: from 6.5% to 9.5% p.a.) and mature in January 2006 – May 2006 (2004: January 2005 – June 2005).

At 31 December 2005 the fair value of due from other banks was RR 463 958 thousand (2004: RR 292 593 thousand).

Geographical, currency, maturity and interest rate analysis of due from banks equivalents is disclosed in Note 19.

Notes to the Financial Statements

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9 TRADE AND OTHER RECEIVABLES

<i>In thousands of Russian Roubles</i>	2005	2004
Trade receivables	65 192	46 832
VAT recoverable	10 289	6 736
Advances to suppliers	9 530	—
Prepaid expenses	4 675	4 370
Prepaid taxes (other than income tax)	2 443	3 039
Due from employees	1 070	700
Other	236	132
Provision for impairment	(350)	(452)
Total trade and other receivables	93 085	61 357

At 31 December 2005 trade receivables represent amounts receivable from customers for invoiced depository services.

Movements in the provision for bad debts are as follows:

<i>In thousands of Russian Roubles</i>	2005	2004
Provision for impairment at 1 January	452	479
Recovery of provision for impairment during the year	(102)	(27)
Provision for impairment at 31 December	350	452

Geographical, currency, maturity and interest rate analyses of trade and other receivables are disclosed in Note 19.

10 INVESTMENTS IN ASSOCIATES AND AVAILABLE FOR SALE FINANCIAL ASSETS

At 31 December 2005 investments in associated companies in the amount of RR 78 225 thousand (2004: nil) represent shares in ZAO Depository Clearing Company (DCC) and share in Settlement Depository Co. Ltd. (RDK).

In 2004 the Partnership acquired 30% of DCC's shares in the amount of RR 32 568 thousand for cash and 0,43% of DCC's shares in the amount of RR 472 thousand were received as contributions from participants.

At 31 December 2004 the investments in DCC in the amount of RR 33 040 thousand (30,43% of the DCC's shares) were classified as investment securities available-for-sale as no evidence that the Partnership had significant influence over the associated company existed.

In thousands of Russian Roubles

Carrying amount at 1 January 2004	—
Purchases	33 040

Carrying amount at 31 December 2004 33 040

Starting from June 2005 the Partnership has its representatives in the Board of Directors of DCC. Therefore the Partnership has reclassified investments in DCC from investment securities available-for-sale into investments in associates.

In 2005 the Company acquired additional 2.17% of DCC's shares in the amount of RR 2 360 thousand and 24.69% of RDK's shares in the amount of RR 20 307 thousand for cash. 4.35% of DCC's shares in the amount of RR 4 720 thousand and 4.32% of RDK's shares in the amount of RR 1 810 thousand were received as members' contributions from MICEX, OAO Gazprombank, OOO Deutschebank and ZAO ING Eurasia. Refer to Note 14.

Notes to the Financial Statements

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As at 31 December 2005 the Partnership held an option to sell 24,69% of ordinary shares of DCC back to OAO Gazprombank at a fixed cost of RR 20 307 thousand not later than 26 June 2006. The Management's estimate of the fair value of this instrument is included in other assets as it is not material. The option is not expected to be exercised.

The calculation of the carrying value of investments in associates as at 31 December 2005 is presented below:

<i>In thousands of Russian Roubles</i>	
Investments in associates at 31 December 2004	—
Fair value of net assets of DCC acquired	45 172
Fair value of net assets of RDK acquired	12 555
Goodwill arising on acquisition of RDK	9 561
Share after tax results of DCC attributable to the Partnership	9 745
Share after tax results of RDK attributable to the Partnership	1 192
Investments in associates at 31 December 2005	78 225

At 31 December 2005, the Partnership's interests in associates and their summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

<i>In thousands of Russian Roubles</i>	Total assets	Total liabilities	Sales	Net profit	% of share	Country of registration
ZAO Depository Clearing Company (DCC)	372 080	218 831	234 855	53 827	36.96	Russia
Settlement Depository Co. Ltd (RDK)	47 282	126	40 949	8 129	29.00	Russia
Total	419 362	218 957	275 804	61 956	—	—

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11 OFFICE AND COMPUTER EQUIPMENT

The partnership's fixed assets comprise office and computer equipment.

<i>In thousands of Russian Roubles</i>	Office and computer equipment	Computer software	Total
Cost at 1 January 2004	33 656	92 078	125 734
Accumulated depreciation	(21 866)	(72 771)	(94 637)
Carrying amount at 1 January 2004	11 790	19 307	31 097
Additions	8 928	2 196	11 124
Disposals	(1 228)	(1 383)	(2 611)
Depreciation charge	(3 114)	(4 297)	(7 411)
Carrying amount at 31 December 2004	16 376	15 823	32 199
Cost at 31 December 2004	40 321	92 518	132 839
Accumulated depreciation	(23 945)	(76 695)	(100 640)
Carrying amount at 31 December 2004	16 376	15 823	32 199
Additions	7 271	1 330	8 601
Disposals	(212)	(319)	(531)
Depreciation charge	(2 974)	(4 273)	(7 247)
Carrying amount at 31 December 2005	20 461	12 561	33 022
Cost at 31 December 2005	46 970	92 993	139 963
Accumulated depreciation	(26 509)	(80 432)	(106 941)
Carrying amount at 31 December 2005	20 461	12 561	33 022

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12 DIVIDENDS TRANSFERABLE TO CLIENTS' SHAREHOLDERS

At 31 December 2005 dividends transferable to clients' shareholders in the amount of RR 86 929 thousand (2004: RR 173 990 thousand) represent the Partnership's liability to transfer dividends from companies, that are registered with the Partnership, to the companies' shareholders.

13 TRADE AND OTHER PAYABLES

<i>In thousands of Russian Roubles</i>	2005	2004
Trade payables and advances received	54 719	33 270
Taxes other than on income payable	10 684	4 694
Other	18	4 495
Settlement with employees	—	21 000
Total trade and other payables	65 421	63 459

At 31 December 2005 trade payables in the amount of RR 50 720 thousand (2004: RR 33 270 thousand) are predominantly represented by advances received from customers for depository services.

Geographical, currency, maturity and interest rate analyses of trade and other payables are disclosed in Note 19.

The information on related party transactions is disclosed in Note 22.

14 REDEEMABLE PARTICIPANTS' CONTRIBUTIONS

As at 31 December 2005 the amount of redeemable participants' contributions was RR 62 030 thousand (2004: RR 55 500 thousand). During the year 2005 the Partnership received contributions in the amount of RR 6 530 thousand made in the form of DCC's and RDK's shares. Refer to Note 10.

Each participant of the Partnership is entitled to redemption of originally made contributions. The Partnership has an obligation to redeem participants original contributions in case of withdrawal.

15 RETAINED EARNINGS

Under provisions of the Partnership's Charter the retained earnings can be transferred to the reserves which are to satisfy specific financing needs of the Partnership and are not to be distributed to its participants.

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16 INTEREST INCOME

<i>In thousands of Russian Roubles</i>	2005	2004
Due from banks	27 255	17 878
Other	72	114
Total interest income	27 327	17 992

Other interest income is an interest on loans issued by the Partnership to its employees.

17 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

<i>In thousands of Russian Roubles</i>	2005	2004
Staff costs	186 495	153 960
Rent of premises and equipment	49 482	45 936
Professional services	30 843	16 980
Advertising and marketing services	12 788	5 173
Stationery	12 679	12 088
Depreciation	7 247	7 441
Travelling expenses	4 677	1 815
Other	4 007	7 819
Total administrative and other operating expenses	308 212	251 212

The staff costs include contributions to the Russian Federation state pension and social insurance funds in the amount of RR 19 886 thousand (2004: RR 15 683 thousand).

18 INCOME TAXES

Income tax expense comprises the following:

<i>In thousands of Russian Roubles</i>	2005	2004
Current tax	75 081	56 372
Deferred tax	9 752	(2 600)
Income tax expense for the year	84 833	53 772

The income tax rate applicable to the majority of the Partnership's income is 24% (2004: 24%). A reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Russian Roubles</i>	2005	2004
IFRS profit before tax	315 108	194 572
Theoretical tax charge at statutory rate (2005: 24%; 2004: 24%)	75 626	46 697
Tax effect of items which are not deductible or assessable for taxation purposes:		
• Non deductible expenses	9 207	7 075
Income tax expense for the year	84 833	53 772

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% (2004: 24%).

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<i>In thousands of Russian Roubles</i>	31 December 2004	Charged to profit	31 December 2005
Tax effect of deductible temporary differences			
Fixed assets: depreciation	16 303	(368)	15 935
Accrued expenses	5 040	(5 040)	—
Gross deferred tax asset	21 343	(5 408)	15 935
Tax effect of taxable temporary differences			
Fixed assets: cost	(16 352)	(507)	(16 859)
Investments in associates	—	(3 837)	(3 837)
Gross deferred tax liability	(16 352)	(4 344)	(20 696)
Recognised net deferred tax asset/(liability)	4 991	(9 752)	(4 761)

Movements in temporary differences in 2004 were as follows:

<i>In thousands of Russian Roubles</i>	1 January 2004	Credited/(charged) to profit	31 December 2004
Tax effect of deductible temporary differences			
Fixed assets: depreciation	15 424	879	16 303
Accrued expenses	—	5 040	5 040
Gross deferred tax asset	15 424	5 919	21 343
Tax effect of taxable temporary differences			
Fixed assets: cost	(11 550)	(4 802)	(16 352)
Other	(1 483)	1 483	—
Gross deferred tax liability	(13 033)	(3 319)	(16 352)
Recognised deferred tax asset	2 391	2 600	4 991

19 FINANCIAL RISK MANAGEMENT

The risk management function within the Partnership is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.³³

Credit risk. The Partnership takes on exposure to credit risk which is the risk that counterparty will be unable to pay amounts in full when due. The Partnership's exposure to credit risk is reflected in the carrying amounts of receivables, cash and deposits placed with banks. High concentration of credit risk relates to cash on current accounts which is mainly concentrated on the account held with ZAO NKO MICEX Settlement Chamber in the amount of RR 80 394 thousand (2004:RR 9 052 thousand).

Geographical risk. At 31 December 2004 and 31 December 2005 all assets and liabilities of the Partnership are held in the Russian Federation.

Currency risk. The Partnership takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. At 31 December 2005, Management of the Partnership does not consider that the current currency position of the Partnership lends itself to any material currency risk. However, there are items that differ in currency. At 31 December 2005 the Partnership had current account balances with banks denominated in foreign currency in the total amount of RR 119 thousand (2004: RR 100 thousand). At 31 December 2005 the Partnership had trade payables denominated predominantly in US dollars in total amount of RR 348 thousand (2004: RR 113 thousand).

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Liquidity risk. Liquidity risk is defined as the risk when maturity of assets and liabilities does not match. Liquidity risk is monitored by the management of the Partnership. At 31 December 2005, Management of the Partnership does not consider that the current maturity profile of the Partnership lends itself to any material liquidity risk. However, there are items that differ in liquidity terms which are due from banks:

<i>In thousands of Russian Roubles</i>	From 1 to 6 months	From 6 to 12 months	Total
Due from banks	388 958	75 000	463 958

The maturity breakdown of due from banks at 31 December 2004 is set out below.

<i>In thousands of Russian Roubles</i>	From 1 to 6 months
Due from banks	292 593

Interest rate risk. Interest rate risk is the Partnership's exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest income on the term deposits and the Partnership's ability to reinvest the maturing funds at desirable interest rates may be effected in the event that unexpected movements in market interest rates arise. The exposure to interest risk relates to bank deposits. The Partnership does not hedge its exposure to interest rate risk. The Partnership's financial assets with a fixed rate such as bank deposits are exposed to fair value interest rate risk. However, this risk is not significant as maturity of bank deposits do not usually exceed 9 months. Interest repricing periods at 31 December 2005 were as follows:

<i>In thousands of Russian Roubles</i>	From 1 to 6 months	From 6 to 12 months	Total
Due from banks	388 958	75 000	463 958

The breakdown of due from banks (interest repricing periods) at 31 December 2004 is set out below.

<i>In thousands of Russian Roubles</i>	From 1 to 6 months	Total
Due from banks	292 593	292 593

20 CONTINGENCIES AND COMMITMENTS

Legal proceedings. From time to time and in the normal course of business, claims against the Partnership are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Partnership may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Notes to the Financial Statements

Operating lease commitments. Where the Partnership is the lessee, the future minimum lease payments under operating leases are as follows:

<i>In thousands of Russian Roubles</i>	2005	2004
Not later than 1 year	20 361	—
Total operating lease commitments	20 361	—

Fiduciary assets. These assets are not included in the Partnership's balance sheet as they are not assets of the Partnership. The fiduciary assets fall into the following categories:

<i>In millions of Russian Roubles</i>	2005 Fair value	2004 Fair value
OFZ securities held in custody of the Partnership	685 835	614 207
Corporate bonds held in custody of the Partnership	359 889	198 883
Shares held in custody of the Partnership	256 067	153 043
Municipal bonds held in custody of the Partnership	146 166	118 771
CBRF bonds held in custody of the Partnership	32 872	9 726
Eurobonds held in custody of the Partnership	28 796	26 955
OGVVZ securities held in custody of the Partnership	899	—
Units of unit investment funds held in custody of the Partnership	538	115
GKO securities held in custody of the Partnership	—	—
Total	1 511 062	1 121 700

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are carried on the balance sheet at amortised cost which approximates their fair value. Fair values have been estimated by discounting expected cash flows at market interest rates prevailing at the respective balance sheet date.

22 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with the ultimate controlling party - MICEX, associate - ZAO Depository and Clearing Company, and the entity under common control of MICEX - ZAO NKO MICEX Settlement Chamber.

The relationship between MICEX and the Partnership is limited to rent of the premises to the Partnership and technical and other professional support for the operation of the depository system by the Partnership. As at 31 December 2005 the Partnership had a current account balance with ZAO MICEX Settlement Chamber in the amount of RR 80 394 thousand (2004: RR 9 052 thousand). The balance with ZAO NKO MICEX Settlement Chamber does not bear interest.

Notes to the Financial Statements

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Income received from associates represents commissions received from inter-depository account services provided to DCC.

Expenses incurred in course of transactions with other related parties relate to compensation by the Partnership of fees for registration of eurobonds paid by ZAO NKO MICEX Settlement Chamber to Clearstream Banking .

The outstanding balances at 31 December 2005 and income and expense items with related parties for the year 2005 were as follows:

<i>In thousands of Russian Roubles</i>	Parent	Associates	Entity under common control of MICEX	Total
Assets				
Cash	—	—	80 394	80 394
Trade and other receivables	59	2 697	—	2 756
Total	59	2 697	80 394	83 150
Liabilities				
Trade and other payables	1 626	—	—	1 626
Total	1 626	—	—	1 626

The income and expense items with related for the year 2005 were as follows:

<i>In thousands of Russian Roubles</i>	Parent	Associates	Entity under common control of MICEX	Total
Commission income from depository services	600	27 826	—	28 426
Rent and maintenance expenses	37 048	—	—	37 048
Expenses on registration services	—	—	2 445	2 445
Expenses on services of regional exchanges	—	—	955	955

Notes to the Financial Statements

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The outstanding balances at the year ended 31 December 2004 and income and expense items with related parties for the year ended 31 December 2004 are as follows:

<i>In thousands of Russian Roubles</i>	Parent	Entity under common control of MICEX	Total
Assets			
Cash	—	9 052	9 052
Trade and other receivables	568	—	568
Total	568	9 052	9 620
Liabilities			
Trade and other payables	1 612	—	1 612
Total	1 612	—	1 612

The income and expense items with related parties for the year 2004 were as follows:

<i>In thousands of Russian Roubles</i>	Parent	Entity under common control of MICEX	Total
Commission income from depository services	500	—	500
Rent and maintenance expenses	31 517	—	31 517
Expenses on registration	—	2 480	2 480
Expenses on services of regional exchanges	—	448	448

The total amount of remuneration to six key management personnel (2004: four individuals) of the Partnership for the year 2005 comprised salaries and bonuses of RR 31 731 thousand (2004: RR 17 909 thousand).