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КОЛЛЕКЦИЯ ЦЕННЫХ



STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's audit report set out on page 3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Not-for-Profit Partnership "The National Depository Center" (the "Partnership").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Partnership at 31 December 2007, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Partnership will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Partnership;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Partnership, and which enable them to ensure that the financial statements of the Partnership comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Partnership; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended 31 December 2007 were authorized for issue by the Director of the Partnership on 14 April 2008.

On behalf of the Partnership

Director

Egorov N. V.

14 April 2008

Moscow

Chief Accountant

Klimova Zh. G.

14 April 2008

Moscow

INDEPENDENT AUDITORS' REPORT TO THE PARTICIPANTS OF NOT-FOR-PROFIT PARTNERSHIP "THE NATIONAL DEPOSITORY CENTER":

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Not-for-Profit Partnership "The National Depository Center" (the "Partnership"), which comprise the balance sheet as at 31 December 2007, and the income statement, the statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects the financial position of the Partnership as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

14 April 2008
Moscow



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КОЛЛЕКЦИЯ ЦЕННЫХ



BALANCE SHEET AS AT 31 DECEMBER 2007

(in thousands of Russian rubles)

	Notes	31 December 2007	31 December 2006
Current ASSETS			
Cash and cash equivalents	4,20	897,413	243,972
Due from banks	5	1,049,660	727,289
Trade and other receivables	6,20	165,448	158,302
Current income tax assets		<u>29,468</u>	<u>4,173</u>
TOTAL CURRENT ASSETS		2,141,989	1,133,736
NON-CURRENT ASSETS			
Equity securities available-for-sale	7	4,700	4,700
Investments in associates	7,20	129,154	105,353
Fixed assets	8	39,738	32,740
Intangible assets	8	<u>75,078</u>	<u>29,016</u>
TOTAL NON-CURRENT ASSETS		<u>248,670</u>	<u>171,809</u>
TOTAL ASSETS		<u>2,390,659</u>	<u>1,305,545</u>
CURRENT LIABILITIES			
Income on securities to be transferred to customers	9	841,045	198,234
Trade and other payables	10,20	163,963	119,605
Redeemable contributions of participants	11,20	<u>62,280</u>	<u>62,030</u>
TOTAL CURRENT LIABILITIES		1,067,288	379,869
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	<u>14,032</u>	<u>9,451</u>
TOTAL NON-CURRENT LIABILITIES		<u>14,032</u>	<u>9,451</u>
TOTAL LIABILITIES		<u>1,081,320</u>	<u>389,320</u>
EQUITY			
Retained earnings	12	<u>1,309,339</u>	<u>916,225</u>
TOTAL EQUITY		<u>1,309,339</u>	<u>916,225</u>
TOTAL LIABILITIES AND EQUITY		<u>2,390,659</u>	<u>1,305,545</u>

On behalf of the Partnership

Director

Egorov N.V.

14 April 2008

Moscow

Chief Accountant

Klimova Zh. G.

14 April 2008

Moscow

The notes on pages 9-24 form an integral part of these financial statements.

КОЛЛЕКЦИЯ ЦЕННЫХ



INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

(in thousands of Russian rubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Commission income on depository services	20	1,161,801	890,241
Interest income on financial assets carried at amortized cost	13	60,040	40,035
Other operating income		<u>1,565</u>	<u>1,969</u>
Operating income		1,223,406	932,245
Operating expenses	14,20	(708,590)	(495,358)
Net losses on foreign exchange operations		<u>(1,597)</u>	<u>(498)</u>
Operating profit		513,219	436,389
Share of profit of associates	7,20	<u>23,930</u>	<u>27,345</u>
Profit before income tax		537,149	463,734
Income tax expense	15	(144,035)	(125,704)
Net profit		<u>393,114</u>	<u>338,030</u>

On behalf of the Partnership

Director

Egorov N.V.

14 April 2008

Moscow

Chief Accountant

Klimova Zh. G.

14 April 2008

Moscow

The notes on pages 9-24 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2007**
(in thousands of Russian rubles)

	Retained earnings (RUB '000)	Total equity (RUB '000)
Balance as at 31 December 2005	578,195	578,195
Profit for the year	<u>338,030</u>	<u>338,030</u>
Balance as at 31 December 2006	916,225	916,225
Profit for the year	<u>393,114</u>	<u>393,114</u>
Balance as at 31 December 2007	<u>1,309,339</u>	<u>1,309,339</u>

On behalf of the Partnership

Director

Egorov N.V.

14 April 2008

Moscow

Chief Accountant

Klimova Zh. G.

14 April 2008

Moscow

The notes on pages 9-24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007
(in thousands of Russian rubles)

	Notes	Year ended 31 December 2007	Year ended 31 Decemer 2006
Cash flows from operating activities			
Profit before income tax		537,149	463,734
Adjustments for:			
Accrued commission income from depository services		(12,352)	(25,121)
Accrued interest income		(4,371)	(6,331)
Profit of associates		(23,930)	(27,345)
Provision/(recovery of provision) for doubtful debt		121	(128)
Unrealized loss/(gain) foreign exchange differences		971	560
Accrued administrative and other operating expenses		5,711	7,252
Depreciation and loss on disposal of fixed and intangible assets		<u>12,118</u>	<u>15,699</u>
Cash flows from operating activities before changes in operating assets and liabilities		515,417	428,320
Changes in operating assets and liabilities			
Net increase of amounts due from banks		(318,000)	(257,000)
Net increase/(decrease) of trade and other receivables		4,160	(40,513)
Net increase of trade and other payables		38,647	46,932
Net increase of income on securities to be transferred to customers		<u>642,811</u>	<u>111,305</u>
Cash inflow from operating activities before income tax		883,035	289,044
Income tax paid		<u>(164,749)</u>	<u>(116,148)</u>
Net cash provided by operating activities		<u>718,286</u>	<u>172,896</u>

**STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR
ENDED 31 DECEMBER 2007**
(in thousands of Russian rubles)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Cash flows from investing activities			
Purchase of fixed and intangible assets		(66,071)	(44,910)
Proceeds on sale of fixed and intangible assets		893	477
Dividends received from associates		129	217
Acquisition of securities available for sale		—	(4,700)
Net cash used in investing activities		<u>(65,049)</u>	<u>(48,916)</u>
Cash flows from financing activities			
Redeemable contributions of participants		<u>250</u>	—
Net cash from financing activities		<u>250</u>	—
Effects of exchange rate changes on cash and cash equivalents		<u>(46)</u>	<u>(15)</u>
Net increase of cash and cash equivalents		653,441	123,965
Cash and cash equivalents, beginning of the year		<u>243,972</u>	<u>120,007</u>
Cash and cash equivalents, end of year	4	<u>897,413</u>	<u>243,972</u>

Interest received by the Partnership during the years ended 31 December 2007 and 2006 amounted to RUB 55,669 thousand and RUB 33,704 thousand, respectively.

On behalf of the Partnership

Director

Egorov N.V.

14 April 2008

Moscow

Chief Accountant

Klimova Zh. G.

14 April 2008

Moscow

The notes on pages 9-24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. Organization

Not-for-profit Partnership “The National Depository Center” (the “Partnership” or “NDC”) is a Not-for-Profit partnership operating in the Russian Federation since 1997. The primary business of the Partnership is depository and clearing operations. The Partnership holds a license for depository operations issued by the Federal Securities Market Commission on 4 December 2000 and a license for clearing operations issued by the Federal Securities Market Commission on 4 December 2000.

As at 31 December 2007 the Partnership had representative offices in Saint-Petersburg and Novosibirsk.

Registered office of the Partnership is located at: 1/13 Sredny Kislovsky Side-St., building 4, Moscow, 125009, Russian Federation.

The Partnership holds shares in ZAO Depository Clearing Company and Settlement Depository Co. Ltd, exercising significant influence on their operations and using the equity method to account for their financial results in the financial statements:

Name	Country of incorporation	Voting stock (%)		Principal activity
		2007	2006	
ZAO Depository and Clearing Company	Russian Federation	36.96	36.96	Depository services
Settlement Depository Co. Ltd	Russian Federation	29.00	29.00	Depository services

Founders of the Partnership are Closed Joint Stock Company “Moscow Interbank Currency Exchange” (“MICEX”) and the Central Bank of the Russian Federation (“CBRF”), holding 46.66% and 39.34% of the Partnership’s equity, respectively, and 50.1% and 42.3% of votes. The remaining interest in the Partnership equity and in the total number of votes is owned by the companies which became participants after the foundation of the Partnership.

The financial statements were authorized for issue by the Director of the Partnership on 14 April 2008

2. Basis of Presentation

Accounting basis

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements are presented in thousands of Russian Rubles (“RUB thousand”), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, by applying International Accounting Standard 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”).

In accordance with IAS 29 the economy of the Russian Federation was considered to be hyperinflationary during 2002 and prior years. From 1 January 2003 the Russian economy is no longer considered to be hyperinflationary and the values of the Partnership’s non-monetary assets, liabilities and shareholders’ equity as stated in measuring units as at 31 December 2002 have formed the basis for the amounts carried forward.

The Partnership maintains its accounting records in accordance with Russian law. These financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform to IFRS. The adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses.

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2007 (RUB '000)	31 December 2006 (RUB'000)
Trade and other receivables	165,448	158,302

Trade and other receivables are stated at amortized cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgment. The Partnership assesses the allowance for impairment losses to maintain the allowance at the level, which the Partnership's management considers sufficient to provide for potential losses on the Partnership's accounts receivable. The provision for impairment losses on accounts receivable is based on the probability that the asset will be written off and an estimate of losses from such write-off. Such estimates are made using statistical methods and are based on historical information and judgments made by the Partnership's management.

Deferred tax liabilities are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available to allow the benefit of those deductible temporary differences to be utilized. The estimate of probability is based on forecasts of the Partnership's management regarding future taxable profits and is supported by exercise of judgment of the Partnership's management. Taxation issues are considered in Notes 15 and 18.

Functional currency

The functional currency of these financial statements is the Russian Ruble.

3. Significant Accounting Policies**Key valuation techniques**

Assets and liabilities are stated at cost (for some balance sheet items – at cost restated for inflation), fair value or amortized cost, depending on classification. Summary of these valuation techniques is provided below.

Cost is the amount of cash or cash equivalents paid or the fair value of 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. Incremental costs are the costs that would not have been incurred if the transaction had not been made.

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

Amortized cost is the amount at which the financial instrument was measured at initial recognition, less principal repayments, plus interest accruals, and for financial assets less any impairment loss. Accrued interest includes amortization of transaction costs deferred at initial recognition and any premiums or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expenses are not presented separately and included in the carrying amounts of the assets and liabilities.

The effective interest method is the method of allocating interest income or interest expense over the relevant period so as to achieve a constant interest rate (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 losses) through the expected life of the financial instrument or, if appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is used to discount cash flows from instruments with variable interest rates until the next date of interest change, excluding premium or discount which reflect the credit spread on variable interest rate indicated for this instrument, or on other variables which are not dependent on the market terms. Such premiums or discounts are amortized during the useful life of the instrument. The present value calculation includes all commissions and fees paid or received by parties to the contract and are an integral part of the effective interest rate.

Recognition and measurement of financial instruments

The Partnership recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value. Initial cost of financial assets and liabilities, which are not financial assets and liabilities at the fair value through profit or loss, is adjusted by the amount of any operational costs incurred that are directly attributable to the acquisition or production of financial assets or issue of the financial liability. The principles of subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Investments in associates

An associate is an entity over which the Partnership is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Partnership's share of the net assets of the associate, including goodwill on acquisition, less any impairment in the value of investments. Losses of the associates in excess of the Partnership's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Partnership's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Partnership's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Profits and losses from transactions between the Partnership and an associate are eliminated to the extent of the Partnership's interest in the relevant associate.

Cash and cash equivalents

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

Due from banks

Amounts due from banks are recognized when the Partnership places cash with counterparty banks on deposit repayable at the established or determinable date, while the Partnership does not intend to trade in the receivables, which are

not related to derivative financial instruments and are not quoted on the market. Amounts due from banks are stated at amortized cost.

Trade and other receivables

Trade and other receivables are stated at amortized cost. The Partnership provides for impairment losses, if there is objective evidence that it will not be able to collect the whole amount on the original terms of the contracts. Allowance is calculated as the difference between the carrying amount of the asset and present value of future cash flows discounted at the original effective interest rate of the financial interest. Change in allowance is recognized in the income statement.

Securities available for sale

Securities available for sale represent shares that are intended to be held for an indefinite period of time. Such securities are initially and subsequently stated at fair value. Non-marketable shares are stated at the cost less impairment losses (if any), unless the fair value can be reliably measured.

Fixed assets

Fixed assets include office and computer equipment. Fixed assets acquired after 1 January 2003 are carried at cost less accumulated depreciation and recognized impairment losses, if any. Fixed assets acquired before 1 January 2003 are carried at cost restated for inflation less accumulated depreciation and recognized impairment losses, if any.

Profit and loss on disposal of fixed assets are determined by comparing proceeds and carrying amount of the asset on disposal, and are shown in the income statement.

Fixed assets are depreciated on a straight line basis, i.e. through even reduction of original value to residual value during 10-year useful life of the asset. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts.

Intangible assets

The cost of intangible assets comprises costs incurred to acquire an asset and to bring it into working condition for its intended use. Subsequently, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment loss. Intangible assets are amortized on the basis of straight line method during 4-year useful life. At each balance sheet date the Partnership assesses whether there is any indication of impairment. If any such indication exists, the Partnership estimates the recoverable amount, which is determined as the higher of an asset's fair value less selling costs or its value in use.

Trade and other payables

Accounts payable are recognized if the counterparty has fulfilled its contractual obligations and are stated at amortized cost.

Redeemable contributions of participants

Participants of the Partnership may require return of their initial contributions into the Partnership, including in cash form. The Partnership's obligation to return shares to its participants gives grounds for recognizing financial liability. Financial liability of the Partnership is recorded at the initial amount of contributions made by the participants and redeemable at their request.

Income and expense recognition

Commission income is recorded on accrual basis with revenue recognized in the income statement as the services are provided. Interest income is recognized on an accrual basis using effective interest method. Expenses are recorded on the accrual method in the period in which they were incurred.

Operating lease

When the Partnership acts as a lessee and risks and rewards of lease are not transferred by the lessor to the Partnership, total operating lease payments (including on contracts that will expire in the near future) are recognized in the income statement using straight line amortization method during the lease term.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Partnership's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is reported using the balance sheet liability method and represents income tax assets and liabilities on the temporary difference between the carrying value of assets and liabilities and the respective tax accounting data used to arrive at the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the respective deferred tax assets can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in associates, except where the Partnership is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset by the Partnership with the resulting difference reported in the financial statements if:

- The Partnership has a legally enforceable right to set off the current tax assets and current tax liabilities; and
- Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxpayer.

Russia also has various other taxes, which are assessed on the Partnership's activities apart from income tax. These taxes are included as a component of operating expenses in the income statement.

Retirement benefit obligations

In accordance with the requirements of the Russian legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected

by employees. The Partnership does not have any pension arrangements separate from the State pension system of the Russian Federation. Other than that, the Partnership has no post-retirement benefits or other significant compensated benefits requiring accrual.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into rubles at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net loss on foreign exchange revaluation.

Exchange rate

Exchange rates at the year-end used by the Partnership in the preparation of financial statements are as follows:

	31 December 2007	31 December 2006
RUB/USD	24.5462	26.3311

Fiduciary assets

The Partnership provides depository services to its customers that include storage and registration of securities and processing of transactions with securities on depo accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Partnership's financial statements. The Partnership accepts the operational risk on these activities, the Partnership's customers bear the credit and market risks associated with such operations.

Commissions received for such operations are included in commission income from depository services.

Adoption of new standards

In the current year, the Partnership has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Partnership's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

IFRS 7 is effective from 1 January 2007 and applicable for the annual reporting periods beginning on 1 January 2007 or after the date. IFRS 7 establishes new requirements and recommendations on financial instruments disclosure. Adoption of IFRS 7 did not affect the classification and measurement of the Partnership's financial instruments for the purposes of these financial statements. These financial statements contain additional disclosures required by IFRS 7 for the reporting period and the corresponding period for comparison purposes.

4. Cash and Cash Equivalents

	31 December 2007 (RUB '000)	31 December 2006 (RUB '000)
Current accounts	897,407	243,964
Cash on hand	<u>6</u>	<u>8</u>
Total cash and cash equivalents	<u>897,413</u>	<u>243,972</u>

As at 31 December 2007 and 2006 there was a high concentration of cash and cash equivalents which was mainly placed with ZAO NKO MICEX Clearing House in the amount of RUB 779, 550 thousand and RUB 181,663 thousand, respectively, which makes 87% and 74% of current account balances. Other current accounts were placed with Moscow-based banks.

5. Due from Banks

As at 31 December 2007 and 2006 amounts due from banks in the amount of RUB 1,049,660 thousand and RUB 727,289 thousand represent term deposits with Russian banks. All deposits are placed with six Moscow based banks. As at 31 December 2007 and 2006 the effective interest rate on deposits ranges from 5.85% to 8.25% and from 5.7% and 8.0%, respectively. As at 31 December 2006 the deposited funds mature during the period of January 2008 – May 2008 (as at 31 December 2006: January 2007 – August 2007).

As at 31 December 2007 and 2006 the maximum credit risk exposure on due from banks amounted to RUB 1,049,660 thousand and RUB 727,289 thousand, respectively.

6. Trade and Other Receivables

	31 December 2007 (RUB '000)	31 December 2006 (RUB '000)
Receivables on depositary services	107,187	94,835
Advances given	22,177	31,877
VAT receivable	21,693	21,024
Prepaid expenses	8,895	5,303
Other taxes receivable	4,278	4,383
Other accounts receivable	<u>1,521</u>	<u>1,102</u>
	165,751	158,524
Allowance for impairment of accounts receivable	<u>(303)</u>	<u>(222)</u>
Total trade and other receivables	<u>165,448</u>	<u>158,302</u>

As at 31 December 2007 and 2006 the maximum credit risk exposure on trade and other receivables amounted to RUB 165,448 thousand and RUB 158,302 thousand, respectively.

7. Investments in Associates and Securities Available for Sale

As at 31 December 2007 and 2006 investments in associates totaling RUB 129,154 thousand and RUB 105,353 thousand comprise investments in ZAO Depository and Clearing Company (“DCC”) and Settlement Depository Co. Ltd (“RDK”).

The carrying amounts of investments in associates as at 31 December 2007 and 2006 are presented below:

	(RUB ‘000)
Investments in associates as at 31 December 2005	78,225
Partnership’s share in DCC financial result	25,931
Partnership’s share in RDK financial result	1,414
Dividends received by the Partnership from its associate RDK	(217)
Investments in associates as at 31 December 2006	<u>105,353</u>
Partnership’s share in DCC financial result	21,158
Partnership’s share in RDK financial result	2,772
Dividends received by the Partnership from its associate RDK	(129)
Investments in associates as at 31 December 2007	<u>129,154</u>

As at 31 December 2007 and 2006 and for the years then ended, respectively, assets, liabilities and profits of associates are presented below:

Associate	Total assets of the associate	Total liabilities of the associate	Revenue of the associate	Profit of the associate
2007				
ZAO Depository and Clearing Company	791,057	508,763	305,911	57,251
Settlement Depository Co. Ltd	63,188	3,488	42,215	9,557
2006				
ZAO Depository and Clearing Company	608,298	383,255	289,748	70,166
Settlement Depository Co. Ltd	51,433	514	26,567	4,875

As at 31 December 2007 and 2006 securities available-for-sale comprised the shares of ZAO AKB National Clearing Centre totaling RUB 4,700 thousand. As at 31 December 2007 it makes less than 1% of the share capital of ZAO AKB National Clearing Centre (as at 31 December 2006: 2%). These shares are stated at cost.

8. Fixed and Intangible Assets

	Office and computer equipment	Intangible assets
At initial/ indexed cost:		
As at 31 December 2005	46,970	92,993
Additions	15,627	29,283
Disposals	<u>(3,449)</u>	<u>(15,481)</u>
As at 31 December 2006	59,148	106,795
Additions	12,753	53,318
Disposals	<u>(3,070)</u>	<u>(66,179)</u>
As at 31 December 2007	<u>68,831</u>	<u>93,934</u>
Accumulated depreciation:		
As at 31 December 2005	26,509	80,432
Depreciation	3,056	4,663
Disposals	<u>(3,157)</u>	<u>(7,316)</u>
As at 31 December 2006	26,408	77,779
Depreciation	4,434	6,534
Disposals	<u>(1,749)</u>	<u>(65,457)</u>
As at 31 December 2007	<u>29,093</u>	<u>18,856</u>
Net book value as at 31 December 2007	<u>39,738</u>	<u>75,078</u>
Net book value as at 31 December 2006	<u>32,740</u>	<u>29,016</u>

9. Income On Securities to Be Transferred to Customers

As at 31 December 2007 and 2006 income on securities to be transferred to customers totaling RUB 841,045 thousand and RUB 198,234 thousand, respectively, comprises obligation of the Partnership to transfer income on corporate securities stored and recorded on depository accounts by the Partnership to its customers.

10. Trade and Other Payables

	31 December 2007 (RUB'000)	31 December 2006 (RUB '000)
Trade payables	138,280	101,398
Taxes payable, other than income tax	9,061	12,003
Other accounts payable	<u>16,622</u>	<u>6,204</u>
Total trade and other payables	<u>163,963</u>	<u>119,605</u>

As at 31 December 2007 and 2006 trade payables amounting to RUB 103,666 thousand and RUB 82,316 thousand, respectively, comprised advances received from customers on depository services.

11. Redeemable Contributions of Participants

As at 31 December 2007 and 2006 redeemable contributions of participants amounted to RUB 62,280 thousand and RUB 62,030 thousand, respectively. During 2007 the Partnership's participants made contributions totaling RUB 250 thousand.

Participants of the Partnership have a right to request a payout of their initial contributions in cash. The Partnership is obliged to pay contributions to the participants.

12. Retained Earnings

As per the Articles of Incorporation retained earnings of the Partnership may be used only to create special funds designed to satisfy the Partnership's funding needs. No payments are made to the participants of the Partnership from retained earnings.

13. Interest Income

	Year ended 31 December 2007 (RUB'000)	Year ended 31 December 2006 (RUB '000)
Interest income on deposits with banks	60,037	40,009
Other interest income	<u>3</u>	<u>26</u>
Total interest income	<u>60,040</u>	<u>40,035</u>

14. Operating Expenses

	Year ended 31 December 2007 (RUB '000)	Year ended 31 December 2006 (RUB '000)
Staff costs	313,897	253,248
Registration and depository services	184,275	103,485
Operating leases	106,705	53,610
Advertising and marketing services	28,248	17,587
Administrative expenses	19,961	14,413
Information and consulting services and audit services	12,212	13,760
Services of regional stock exchanges	12,119	9,920
Depreciation of fixed and intangible assets	10,968	7,719
Business-trip expenses	9,064	6,269
Other expenses	<u>11,141</u>	<u>15,347</u>
Total operating expenses	<u>708,590</u>	<u>495,358</u>

Staff costs for the years ended 31 December 2007 and 2006 include legally established contributions to social security and pension fund totaling RUB 25,110 thousand and RUB 21,903 thousand.

15. Income Tax

The Partnership provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Russian Federation and which may differ from International Financial Reporting Standards.

The Partnership is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and tax-free regime under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2007 and 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2007 and 2006 comprise:

	31 December 2007 (RUB '000)	31 December 2006 (RUB '000)
Tax effect of deductible temporary differences		
Payable on other operations	3,166	1,740
Total amount of deferred tax asset	3,166	1,740
Tax effect of taxable temporary differences		
Investments in associates	(16,060)	(10,348)
Fixed assets	(1,138)	(843)
Total amount of deferred tax liability	(17,198)	(11,191)
Net deferred tax liability	(14,032)	(9,451)

Relationships between tax expenses and accounting profit for the years ended 31 December 2007 and 2006 are explained below:

	Year ended 31 December 2007 (RUB '000)	Year ended 31 December 2006 (RUB '000)
Profit before income tax	537,149	463,734
Tax at the statutory rate (24%)	128,916	111,296
Tax effect of permanent differences from non-deductible expenses	15,119	14,408
Income tax expense	144,035	125,704

Income tax expense comprises the following:

	Year ended 31 December 2007 (RUB '000)	Year ended 31 December 2006 (RUB '000)
Current income tax expense	139,454	121,014
Deferred income tax expense	4,581	4,690
Income tax expense for the year	144,035	125,704

Deferred income tax liabilities	31 December 2007 (RUB '000)	31 December 2006 (RUB '000)
Beginning of the period	9,451	4,761
Increase of deferred income tax liability	<u>4,581</u>	<u>4,690</u>
End of the period	<u>14,032</u>	<u>9,451</u>

16. Capital management

The Partnership manages equity to ensure continuation of the Partnership's operations taking into account optimization of the risks undertaken, maintenance of necessary liquidity level and compliance with requirements on capital adequacy ratio of the professional securities market maker established by the Federal Financial Markets Service.

In order to finance its current activities, the Partnership uses shareholders' equity. The Partnership did not use debt capital in 2007.

In accordance with the current legal status (a non-for-profit partnership) the Partnership does not distribute profit between partners but uses it to provide for its charter activities.

The Partnership's general policy regarding risks related to capital management has not changed in comparison with 2006.

17. Financial Risk Management

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

Credit risk — The Partnership takes on exposure to credit risk, which is the risk that a counterparty will not be able to pay amounts in full when due.

The Partnership's maximum exposure to credit risk is reflected in the carrying amount of receivables and cash in banks and may vary significantly depending on the individual risks inherent in specific assets and overall market risks. The Partnership has no assets and liabilities which may be offset, and the assets are not secured.

The Partnership analyzes financial position of debtors and maturities of receivables to decide on the provision for doubtful debt.

As at 31 December 2007 and 2006 the Partnership had trade and other receivables overdue for the period of up to 45 days but not impaired in the amount RUB 2,854 thousand and RUB 2,067 thousand.

Geographic risk — As at 31 December 2007 and 2006 all assets and liabilities of the Partnership were located in the Russian Federation. The Partnership operates only in the Russian Federation.

Liquidity risk — Liquidity risk is defined as the risk when the maturities of assets and liabilities do not match. As at 31 December 2007 the management assumes that the mismatch between assets' and liabilities' maturities carries immaterial liquidity risk. Nevertheless, certain balance sheet items have various maturities as at 31 December 2007. Maturity analysis of certain assets as at 31 December 2007 is shown in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	31 December 2007 Total (RUB '000)
Due from banks	<u>528,385</u>	<u>225,119</u>	<u>296,156</u>	<u>1,049,660</u>

Maturity analysis of certain assets as at 31 December 2006 is shown in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	31 December 2006 Total (RUB '000)
Due from banks	<u>174,295</u>	<u>142,293</u>	<u>410,701</u>	<u>727,289</u>

As at 31 December 2007 and 2006 other assets and liabilities matured within 1 month.

As at 31 December 2007 and 2006 assets and liabilities of the Partnership were not sensitive to movements in interest rates and foreign exchange rates.

18. Commitments And Contingencies

Legal proceedings — From time to time and in the normal course of business, claims against the Partnership are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation — Due to the presence in Russian tax legislation of provisions allowing more than one interpretation, the tax authorities may make decisions based on their own arbitrary judgment. In practice, the Russian tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of “unjustified tax benefit”, “primary commercial goal of transaction” and the criteria of “commercial purpose (substance) of transaction”.

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. The management of the Partnership is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

Operating environment — The Partnership’s principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Partnership’s assets and operations could be at risk due to negative changes in the political and business environment.

Assets on depo accounts — These assets are not shown on the balance sheet, since they do not belong to the Partnership. Assets on depo accounts fall into the following categories:

(in RUB million)	Market value	
	31 December 2007	31 December 2006
Corporate shares	1,595,926	1,136,273
Corporate bonds of clients	1,106,308	751,713
Federal bonds of clients	961,183	867,601
Municipal bonds of clients	205,638	182,342
CBRF bonds of clients	100,659	102,455
Eurobonds of clients	42,202	26,638
Investment fund units of clients	17,070	4,142
Total	<u>4,028,986</u>	<u>3,071,164</u>

19. Fair Value of Financial Instruments

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: disclosure and presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Partnership could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Partnership is presented below:

	31 December 2007		31 December 2006	
	Current value (RUB ‘000)	Fair value (RUB ‘000)	Current value (RUB ‘000)	Fair value (RUB ‘000)
Cash and cash equivalents	897,413	897,413	243,972	243,972
Due from banks	1,049,660	1,049,660	727,289	727,289
Income on securities to be transferred to customers	841,045	841,045	198,234	198,234
Trade and other payables	163,963	163,963	119,605	119,605
Redeemable contributions of participants	62,280	62,280	62,030	62,030

The fair value of trade and other receivables can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

20. Transactions With Related Parties

Related parties or transactions with related parties, as defined by IAS 24 “Related Party Disclosures”, represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Partnership (this includes parents, subsidiaries and fellow subsidiaries); and that exercise joint control over the Partnership;
- (b) Associates are enterprises on which the Partnership has significant influence and which are neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Partnership is a venturer;
- (d) Members of key management personnel of the Partnership or its parent;
- (t) Close members of the family of any individuals referred to in (a) – (d);
- (f) Entities that are under control, joint control or significant influence of any person described in (a) - (e), or in which a substantial interest in the voting power is owned, directly or indirectly, by such a person;
- (g) Post-employment benefit plans for the benefit of employees of the Partnership, or of any entity that is a related party of the Partnership.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Partnership had the following transactions outstanding as at 31 December 2007 with related parties:

<i>(in RUB thousand)</i>	Parent	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Assets					
Cash and cash equivalents	—	—	779,550	779,550	897,413
Trade and other receivables	59	5,745	—	5,804	165,448
Investments in associates	—	129,154	—	129,154	129,154
Securities available-for-sale	—	4,700	—	4,700	4,700
Liabilities					
Trade and other payables	1,654	3	879	2,536	163,963
Redeemable contributions of participants	29,060	—	—	29,060	62,280

The Partnership had the following results of operations with related parties during the year ended 31 December 2007:

<i>(in RUB thousand)</i>	Parent	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Commission income on depository services	708	82,951	910	84,569	1,161,801
Operating expenses	99,103	40	11,213	110,355	708,590
Including:					
Operating lease and maintenance of fixed assets	99,103	—	—	99,103	
Registration and depository services	—	40	—	40	
Services of regional stock exchanges	—	—	11,213	11,213	
Share of profit attributable to associates	—	23,930	—	23,930	23,930

The Partnership had the following transactions outstanding as at 31 December 2006 with related parties:

<i>(in RUB thousand)</i>	Parent	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Assets					
Cash and cash equivalents	—	—	181,663	181,663	243,972
Trade and other receivables	59	4,798	5	4,862	158,302
Investments in associates	—	105,353	—	105,353	105,353
Liabilities					
Trade and other payables	1,587	8	26	1,621	119,605
Redeemable contributions of participants	29,060	—	—	29,060	62,030

The Partnership had the following results of operations with related parties during the year ended 31 December 2006:

<i>(in RUB thousand)</i>	Parent	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Commission income on depository services	708	57,231	—	57,939	890,241
Operating expenses	48,843	33	10,653	59,529	495,358
Including:					
Operating lease and maintenance of fixed assets	48,843	—	—	48,843	
Registration and depository services	—	33	—	33	
Services of regional stock exchanges	—	—	10,653	10,653	
Share of profit attributable to associates	—	27,345	—	27,345	27,345

Total remuneration paid to the key management personnel for the years ended 31 December 2007 and 2006 included salaries and bonuses and amounted to RUB 45,286 thousand and RUB 32,885 thousand.