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FINANCIAL STATEMENTS 2009 IN ACCORDANCE WITH IFRS



THE NATIONAL  
DEPOSITORY CENTER  

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MICEX GROUP

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' 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 "The National Depository Center" (Closed Joint Stock Company) (the "Company" or "NDC").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2009, 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:

- Properly selecting and applying accounting policies;
- 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 Company 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 Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company 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 Company; and
- Preventing and detecting fraud and other irregularities.

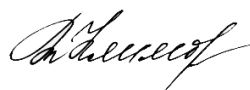
The financial statements for the year ended December 31, 2009 were approved on May 31, 2010 by the Director General of the Company.

On behalf of the Company:



Director General  
**Astanin E.V.**

May 31, 2010  
Moscow



Chief Accountant  
**Klimova Zh.G.**

May 31, 2010  
Moscow

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of "The National Depository Center" (Closed Joint Stock Company)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NDC (the "Company"), which comprise the statement of financial position as at December 31, 2009, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We have not audited the financial statements of Closed Joint Stock Company "Depository Clearing Company", which is an associated company held for sale and is carried at the Company's statement of financial position as at December 31, 2009 in the amount of RUB 435,911 thousand; income from investments in the company recognized in the statement of comprehensive income of the Company for the year ended December 31, 2009 amounted to RUB 18,617 thousand. The financial statements of CJSC "Depository Clearing Company" were audited by another auditor whose independent auditors' report was furnished to us. Our report with regard to the results of the company included in the financial statements of the Company is solely based on the report of this auditor.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these 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.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 Company as at December 31, 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO Deloitte & Touche CIS:



May 31, 2010  
Moscow

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2009

(in thousands of Russian Rubles)

	Notes	December 31, 2009	December 31, 2008
<b>Current assets</b>			
Cash and cash equivalents	4, 20	1,032,617	884,034
Due from banks	5	1,425,751	1,075,010
Trade and other receivables	6, 20	172,617	168,221
Current income tax receivable		—	27,985
		2,630,985	2,155,250
Assets held for sale	8	435,911	—
<b>Total current assets</b>		<b>3,066,896</b>	<b>2,155,250</b>
<b>Non-current assets</b>			
Investments available-for-sale	7	—	4,700
Investments in associates	7, 20	114,253	525,226
Property, plant and equipment and intangible assets	9	120,866	117,530
<b>Total non-current assets</b>		<b>235,119</b>	<b>647,456</b>
<b>TOTAL ASSETS</b>		<b>3,302,015</b>	<b>2,802,706</b>
<b>Current liabilities</b>			
Income on securities payable to depositors	10	805,113	841,942
Trade and other payables	11, 20	205,241	170,621
Redeemable contributions of participants	12, 20	—	62,280
<b>Total current liabilities</b>		<b>1,010,354</b>	<b>1,074,843</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	15	24,449	16,633
<b>Total long-term liabilities</b>		<b>24,449</b>	<b>16,633</b>
<b>TOTAL LIABILITIES</b>		<b>1,034,803</b>	<b>1,091,476</b>
<b>Equity</b>			
Share capital		1,505,920	—
Additional paid-in capital		469,315	—
Retained earnings		291,977	1,711,230
<b>Total equity</b>		<b>2,267,212</b>	<b>1,711,230</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,302,015</b>	<b>2,802,706</b>

On behalf of the Company:



Director General  
**Astanin E.V.**

May 31, 2010  
Moscow



Chief Accountant  
**Klimova Zh.G.**

May 31, 2010  
Moscow

The notes on pages 8-24 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

(in thousands of Russian Rubles)


	Notes	Year ended December 31, 2009	Year ended December 31, 2008
Commission income on depository services	20	1,274,788	1,204,559
Interest income	13	125,933	80,778
Other operating income	20	3,789	1,933
<b>Total operating income</b>		<b>1,404,510</b>	<b>1,287,270</b>
Operating expenses	14,20	(771,702)	(756,482)
Translation difference		(20,075)	(545)
<b>Operating profit</b>		<b>612,733</b>	<b>530,243</b>
Share of profit attributable to associates	7,20	24,938	20,668
<b>Profit before tax</b>		<b>637,671</b>	<b>550,911</b>
Income tax expense	15	(143,969)	(149,020)
<b>Net profit</b>		<b>493,702</b>	<b>401,891</b>
<b>Comprehensive income</b>		<b>493,702</b>	<b>401,891</b>

On behalf of the Company:



Director General  
**Astanin E.V.**

May 31, 2010  
Moscow



Chief Accountant  
**Klimova Zh.G.**

May 31, 2010  
Moscow

The notes on pages 8-24 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

(in thousands of Russian Rubles)


	Share capital	Additional paid-in capital	Retained earnings RUB'000	Total equity RUB'000
<b>Balance as at December 31, 2007</b>	—	—	1,309,339	1,309,339
Comprehensive income for the year	—	—	401,891	401,891
<b>Balance as at December 31, 2008</b>	—	—	<b>1,711,230</b>	<b>1,711,230</b>
Comprehensive income for the year	—	—	493,702	493,702
Retained earnings used in the organization of equity	1,443,640	469,315	(1,912,955)	—
Retained earnings used in the organization of equity	62,280	—	—	62,280
<b>Balance as at December 31, 2009</b>	<b>1,505,920</b>	<b>469,315</b>	<b>291,977</b>	<b>2,267,212</b>

On behalf of the Company:



Director General  
**Astanin E.V.**

May 31, 2010  
Moscow



Chief Accountant  
**Klimova Zh.G.**

May 31, 2010  
Moscow

The notes on pages 8-24 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

(in thousands of Russian Rubles)

	Notes	Year ended December 31, 2009	Year ended December 31, 2008
<b>Cash flows from operating activities</b>			
Profit before tax		637,671	550,911
Adjustments for:			
Commission income on depository services accrued		(31,742)	(2,704)
Interest income accrued		(5,741)	(3,350)
Profit to associates		(24,938)	(20,668)
Provision/(recovery of provision) for doubtful debt		1,010	(277)
Unrealized exchange differences		7,044	(4,836)
Administrative and other operating expenses accrued		13,255	5,441
Depreciation/amortization and (gain)/loss from disposal of property, plant and equipment and intangible assets		29,006	23,855
<b>Cash inflow from operating activities before changes in operating assets and liabilities</b>		<b>625,565</b>	<b>548,372</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in due from banks		(345,000)	(22,000)
Net decrease in trade and other receivables		26,322	5,022
Net increase in trade and other payables		21,365	1,217
Net (decrease)/increase in income on securities payable to depositors		(36,829)	897
<b>Cash inflow from operating activities before taxation</b>		<b>291,423</b>	<b>533,508</b>
Income tax paid		(108,168)	(144,936)
<b>Net cash inflow from operating activities</b>		<b>183,255</b>	<b>388,572</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(41,546)	(27,076)
Gain from disposal of property, plant and equipment and intangible assets		9,204	507
Acquisition of associates		—	(375,652)
Dividends from associates		—	248
Proceeds on sale of securities available-for-sale		4,700	—
<b>Net cash outflow from investing activities</b>		<b>(27,642)</b>	<b>(401,973)</b>
<b>Effect of change in foreign currency exchange rates on cash and cash equivalents</b>		<b>(7,030)</b>	<b>22</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>148,583</b>	<b>(13,379)</b>
Cash and cash equivalents at the beginning of the year		884,034	897,413
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>1,032,617</b>	<b>884,034</b>

Interest received by the Company for the years ended December 31, 2009 and 2008 amounted to RUB 120,192 thousand and RUB 77,428 thousand, respectively.

On behalf of the Company:



Director General  
**Astanin E.V.**

May 31, 2010  
Moscow



Chief Accountant  
**Klimova Zh.G.**

May 31, 2010  
Moscow

The notes on pages 8-24 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

### 1. ORGANIZATION

"The National Depository Center" (Closed Joint Stock Company) (the "Company" or "NDC") was established on August 10, 2009 as a result of the reorganization (Federal Tax Service Certificate series 77 No. 010852670 dated August 10, 2009) from Not-for-Profit Partnership "The National Depository Center" ("NDC") (Federal Tax Service Certificate series 77 No. 010852671 of August 10, 2009) that had operated in the Russian Federation since 1997. CJSC NDC is a universal successor to NDC with respect to any rights and obligations of NDC, in accordance with the respective resolution passed by the General meeting of NDC participants (Minutes of meeting No. 2 of April 28, 2009) and the deed of transfer.

The Company is primarily engaged in depository and clearing operations. The Company holds a licence for depository operations issued by the Federal Commission for the Securities Market on December 4, 2000 and a licence for clearing operations issued by the Federal Commission for the Securities Market on December 4, 2000. The said licences were reissued to bear the name of the Company, with the numbers and dates thereof remaining from the previous licences.

As at December 31, 2009, the Company had representative offices operating in St. Petersburg and Novosibirsk in the Russian Federation.

The company is located at the address: 1/13 Sredny Kislovsky Pereulok, Bld. 4, Moscow.

The Company holds stakes, with the effect of a material influence on activities, in Closed Joint Stock Company "Depository Clearing Company" ("DCC") and in Settlement depository company (Closed Joint Stock Company ("SDCO (CJSC)"). As at December 31, 2009, the investment in DCC was classified as an asset held-for-sale; the results of DCC for the year 2009 were accounted for in accordance with IFRS 5 (Non-Current Assets Held-for-Sale and Discontinued Operations), and the financial performance of SDCO (CJSC) in 2009 was accounted for using the equity method. In 2008, the financial performance of the two companies above was accounted for using the equity method.

Name	Country of operation	Proportion or ownership interest/voting rights (%)		Type of operation
		2009 year	2008 year	
DCC	Russian Federation	37.29	37.29	Depository services
SDCO (CJSC)	Russian Federation	28.54	28.54	Depository services

The following legal entities are the shareholders of the Company:

1. Bank of Russia;
2. MICEX;
3. Evrofinance Mosnarbank;
4. JSC VTB Bank;
5. Bank of Moscow;
6. Sberbank;
7. CB "J.P. Morgan Bank International" (LLC);
8. JSC "ROSSIYSKIY KREDIT BANK";
9. ZAO UniCredit Bank;
10. "ROSBANK" (OJSC JSCB);
11. Deutsche Bank Ltd;
12. "ING BANK (EURASIA) ZAO";
13. GPB (OJSC);
14. Vnesheconombank.

MICEX and Bank of Russia (the "CBR") own 50.17% и 42.3% of the Company's shares, respectively. Other shareholders owned 7.53% in total as at December 31, 2009.

The financial statements were authorized for issue by the Director General of the Company on May 31, 2010.

## 2. BASIS OF PRESENTATION

### Accounting basis

These financial statements of the Company 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 have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. With the management and shareholders of the Company aiming to further develop the business of the Company in the Russian Federation, the management believes that the going concern assumption is appropriate for the Company.

These financial statements are presented in thousands of Russian rubles ("kRUB"), unless otherwise indicated. This financial statements have been prepared under the historical cost convention, except for certain assets accounted for in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

In accordance with IAS 29, the economy of RF was treated as hyperinflationary till the end of 2002. Since January 1, 2003 economy of RF ceased to be hyperinflationary, and the costs of non-monetary assets, liabilities and equity, calculated as at December 31, 2002, was used to form the beginning balances as at January 1, 2003.

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

### Key assumptions

Preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amount of Company's assets and liabilities and disclosure of contingent assets and liabilities as at the reporting date and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to impairment losses on assets.

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:

	December 31, 2009 (RUB '000)	December 31, 2008 (RUB '000)
Cash and cash equivalents	1,032,617	884,034
Due from banks	1,425,751	1,075,010
Trade and other receivables	172,617	168,221
Investments in associates	114,253	525,226

Cash and cash equivalents, due from banks, and trade and other receivables are recognized at amortized cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgment. The Company assesses the provision for impairment losses to maintain the provision at the level, which the Company's management considers sufficient to provide for losses incurred in the Company's loan portfolio. The allowance for impairment losses on assets is calculated based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques and based on historic experience. These determinations are supplemented by the application of management judgment.

Goodwill relating to an associate is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") indicates that the investment may be impaired.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The estimation of probability is based on management's estimates of future taxable profit and is supplemented by management's judgment. Taxation is discussed 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

Financial assets and liabilities are carried either at historical cost, fair value or at amortized cost, depending on classification. These methods are discussed 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 floating interest rates until the next repricing date, excluding the premium or discount which reflects the credit spread on the floating interest rate indicated for this instrument, or on other variables which are not dependent on the market conditions. 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 Company recognizes financial assets and financial liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at fair value. The initial cost of a financial asset or financial liability not at fair value through profit or loss is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items as well as principles for measurement of non-financial assets and liabilities are disclosed in the respective accounting policies set out below.

#### Cash and cash equivalents

Cash and cash equivalents represent assets that can be converted to cash within one business day. Cash and cash equivalents are carried at cost (cash on hand) and at amortized cost (current bank accounts).

#### Due from banks

Due from banks are recognized when the Company places cash with counterparty banks on deposits repayable at a fixed or determinable date while the Company does not intend to trade in these placements, which are not financial instruments and are not quoted on the market. Due from banks are measured at amortized cost net of any allowance for impairment.

#### Trade and other receivables

Trade and other receivables are stated at amortized cost. The Company 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 for impairment losses

The Company accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of

the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). The assets recorded in the balance sheet are reduced by the amount of the impairment. The factors the Company evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Company believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Company can incur losses greater compared to recorded impairment.

### **Securities available-for-sale**

Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially and subsequently stated at fair value. Unquoted shares are stated at acquisition cost less impairment losses, if any, unless fair value can be reliably measured.

### **Non-current assets held for sale**

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held-for-sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell an asset held-for-sale is lower than its carrying amount, an impairment loss is recognized in the income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

### **Investments in associates**

Associates are enterprises on the financial and operating activities of which the Company exercises significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of associates are included into these financial statements on the basis of equity method.

Investments in associates are carried in the balance sheet at acquisition cost which includes goodwill arising on the acquisition as adjusted by post-acquisition change in the Company's share of the net assets of the associate, less any impairment.

Goodwill represents the excess of the cost of acquisition over the Company's share in the fair value of the identified assets, liabilities and contingent liabilities of associates at the acquisition date. Goodwill is included in the cost of investments and assessed for impairment as part of investments on an annual basis.

The Company's gains or losses from transactions with associates are included to the extent of a Company's share in equity of a related company.

### **Property, plant and equipment**

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

Gains or losses from disposals of property, plant and equipment are determined by comparing the proceeds from disposal against the net book value at disposal, with the result then included in the income statement.

Property, plant and equipment 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 property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts.

The residual value of the asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated disposal costs, 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 equals zero where the Company has intention to use such asset until the end of its physical life. Residual values of assets and their useful lives are reviewed and adjusted at each balance sheet date, if necessary.

Impairment is recognized where carrying values exceed the estimated recoverable amount.

### **Intangible assets**

The cost of intangible assets comprises costs incurred to bring an asset into working condition for its intended use. Subsequently, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment loss. Intangible assets are amortized on a straight line basis over their useful lives. Useful lives of intangible assets are 4-5 years. On each balance sheet date, the Company reviews intangible assets for impairment. If any such indication exists, the Company estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use.

Impairment is recognized where carrying values exceed the estimated recoverable amount.

### **Trade and other payables, gains on securities payable to depositors**

Accounts payable are stated at fair value.

### **Redeemable contributions of participants**

Before NDC was reorganized its participants had the right to require return of their initial contributions into NDC, including in cash form in the amount of the initial contribution. The obligation to return contributions made by the NDC participants allowed for recognizing a financial liability. Financial liability of NDC is recorded at the initial amount of contributions made by the participants and redeemable at their first request.

### **Recognition of income and expense**

Commission income on depository services is recorded on the accrual basis where income is recognized in the income statement upon rendering of services. Interest income, other income and expenses are recorded on the accrual basis.

### **Operating leases**

When the Company acts as a lessee and risks and rewards of lease are not transferred by the lessor to the Company, total payments under operating lease agreements (including agreements 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 before tax 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 Company's current tax expense is calculated using tax rates effective in the reporting period.

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

differences 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 a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 amount of deferred tax assets is reviewed at each reporting 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 income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

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

The Russian Federation has various other taxes, which are assessed on the Company's activities. These taxes are included in 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 in which the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds as selected by employees. The Company does not have any pension arrangements separate from the State pension system of the Russian Federation. In addition, the Company 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 rates prevailing at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gain and loss arising from these translations are included in net gain on foreign exchange operations.

#### **Rates of exchange**

The exchange rates used by the Company in the preparation of the financial statements as at year-end are as follows:

	December 31, 2009	December 31, 2008
RUB/1 US Dollar	30.2442	29.3804

#### **Fiduciary assets**

The Company provides depository services to its customers that include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Company's financial statements. The Company accepts the operational risk on these activities, but the Company'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 Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on January 1, 2009. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company's accounting policies that have affected the amounts reported for the current or prior years.

#### 4. CASH AND CASH EQUIVALENTS

	December 31, 2009 (RUB '000)	December 31, 2008 (RUB '000)
Current accounts	1,032,603	884,027
Cash on hand	14	7
<b>Total cash and cash equivalents</b>	<b>1,032,617</b>	<b>884,034</b>

As at December 31, 2009 and 2008 the maximum credit risk exposure on cash and cash equivalents amounted to RUB 1,032,603 thousand and RUB 884,027 thousand, respectively.

A significant concentration of risk is attributable to cash that is primarily kept on the accounts with MICEX Settlement House totaling RUB 803,103 thousand and RUB 780,003 thousand as at December 31, 2009 and 2008, respectively, which represents 78% and 88% of the current accounts balances. Other funds are kept in current accounts with banks located in Moscow.

The amount of RUB 805,113 thousand as at December 31, 2009 (RUB 841,942 thousand as at December 31, 2008) represents the income earned by depositors and transferred by the issuers of securities held in custody and registered on depository accounts of the Company. Federal Law No. 39-FZ ("On the securities market") of April 22, 1996 prohibits the use of these amounts. In accordance with this Federal Law, "where the depositor is provided with the services related to the payment of income on securities or other payments due to the owners of securities, depositors' monetary assets shall be stored on a separate bank account (accounts) opened by the depository with a credit institution (special depository account (accounts)). Depositors' cash held in a special depository account (accounts) may not be seized to cover the depository's obligations. A depositor shall have no right to place its own funds on a special depository account (accounts), except for the payments due to the depositor, and shall have no right to use cash in depositors' account."

#### 5. DUE FROM BANKS

As at December 31, 2009 and 2008 due from banks of RUB 1,425,751 thousand and RUB 1,075,010 thousand, respectively, represent time deposits with Russian banks. As at December 31, 2009 and 2008, deposits were placed with four and three Moscow banks, respectively. As at December 31, 2009 and 2008, effective interest rates for deposits ran from 1.7% (overnight deposits) to 18.6%, and from 2.8% to 11.25%, respectively. As at December 31, 2009 and 2008 deposit maturities were January 2010 — May 2010, and December 2009 — June 2009, respectively.

As at December 31, 2009 and 2008 the maximum credit risk exposure on due from banks was RUB 1,425,751 thousand and RUB 1,075,010 thousand, respectively.

#### 6. TRADE AND OTHER RECEIVABLES

	December 31, 2009 (RUB '000)	December 31, 2008 (RUB '000)
<b>Financial assets</b>		
Receivables on depository services provided	141,633	109,891
Less allowance for impairment losses	(1,785)	(791)
<b>Total financial assets less allowance for impairment losses</b>	<b>139,848</b>	<b>109,100</b>
<b>Non-financial assets:</b>		
VAT settlements	19,465	21,016
Prepaid expenses	6,929	7,216
Advances paid	4,349	26,579
Other settlements on taxes	604	2,873
Other receivables	1,422	1,437
<b>Total non-financial assets</b>	<b>32,769</b>	<b>59,121</b>
<b>Total trade and other receivables</b>	<b>172,617</b>	<b>168,221</b>

As at December 31, 2009 and 2008 the maximum credit risk exposure on trade and other receivables amounted to RUB 172,617 thousand and RUB 168,221 thousand, respectively.

## 7. INVESTMENTS IN ASSOCIATES AND SECURITIES AVAILABLE-FOR-SALE

As at December 31, 2009 and 2008 the Company held investments in the following associates: DCC and SDCO (CJSC). As at December 31, 2009 the investment in DCC was classified as an asset held for sale. In 2008, both of the companies were recorded in the consolidated financial statements using the equity method:

	December 31, 2009		December 31, 2008	
	Ownership interest (%)	Amount (RUB '000)	Ownership interest (%)	Amount (RUB '000)
DCC	—	—	37.29	417,294
SDCO (CJSC)	28.54	114,253	28.54	107,932
<b>Total investments in associates</b>		<b>114,253</b>		<b>525,226</b>

The carrying amounts of investments in associates as at December 31, 2009 and 2008 are presented below:

	(RUB '000)
<b>Investments in associates as at December 31, 2007</b>	<b>129,154</b>
Cost of additional shares of DCC	295,652
Cost of additional shares of SDCO (CJSC)	80,000
Excess of the fair value of the share of net assets acquired over the cost of additional shares of DCC	1,022
The Company's share in DCC financial results after taxes	18,614
The Company's share in SDCO (CJSC) financial results after taxes	1,032
Dividends received by the Company from SDCO (CJSC), its associate	(248)
<b>Investments in associates as at December 31, 2008</b>	<b>525,226</b>
The Company's share in DCC financial results after taxes	18,617
The Company's share in SDCO (CJSC) financial results after taxes	6,321
Shares of DCC classified as assets held for sale	(435,911)
<b>Investments in associates as at December 31, 2009</b>	<b>114,253</b>

As at December 31, 2009 and 2008 and for the years then ended, assets, liabilities and profits of the associates are presented as follows:

Associate	Total associate assets	Total associate liabilities	Associate revenue	Net associate profit
<b>the year 2009</b> SDCO (CJSC)	1,023,067	658,578	77,322	22,147
<b>the year 2008</b> DCC	1,357,111	231,840	301,964	50,161
SDCO (CJSC)	349,835	7,186	53,452	3,595

As at December 31, 2008 the securities available-for-sale included the shares of Bank "National Clearing Centre" Closed joint-stock company in the amount of RUB 4,700 thousand, which is less than 1% of the share capital of Bank "National Clearing Centre" Closed joint-stock company as at December 31, 2008. In 2009, these shares were sold by the Company.

## 8. ASSETS HELD FOR SALE

In December 2009, the Board of Directors resolved to sell 37.29% of its investment in DCC to a potential buyer, with the result that the Company stopped applying the equity method to the investment in 2009, classifying it as an asset held for sale in accordance with IFRS 5. The value of the investment as at December 31, 2009 is the least of the carrying value and the fair value less the costs to sell. The deal on the sale of DCC shares is expected to be closed before June 30, 2010.



## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Office and computer equipment (RUB '000)	Intangible assets (RUB '000)	Total (RUB '000)
<b>At initial/ indexed cost:</b>			
<b>December 31, 2007</b>	<b>68,831</b>	<b>93,934</b>	<b>162,765</b>
Additions	15,739	11,337	27,076
Disposals	(1,657)	(8,026)	(9,683)
<b>December 31, 2008</b>	<b>82,913</b>	<b>97,245</b>	<b>180,158</b>
Additions	16,509	25,037	41,546
Disposals	(16,652)	(3,086)	(19,738)
<b>December 31, 2009</b>	<b>82,770</b>	<b>119,196</b>	<b>201,966</b>
<b>Accumulated depreciation:</b>			
<b>December 31, 2007</b>	<b>29,093</b>	<b>18,856</b>	<b>47,949</b>
Charge for the year	5,107	17,189	22,296
Eliminated on disposal	(819)	(6,798)	(7,617)
<b>December 31, 2008</b>	<b>33,381</b>	<b>29,247</b>	<b>62,628</b>
Depreciation	6,454	25,641	32,095
Disposals	(11,591)	(2,032)	(13,623)
<b>December 31, 2009</b>	<b>28,244</b>	<b>52,856</b>	<b>81,100</b>
<b>Net book value as at December 31, 2009</b>	<b>54,526</b>	<b>66,340</b>	<b>120,866</b>
<b>Net book value as at December 31, 2008</b>	<b>49,532</b>	<b>67,998</b>	<b>117,530</b>

## 10. INCOME ON SECURITIES PAYABLE TO DEPOSITORS

As at December 31, 2009 and 2008, income on securities payable to depositors in the amount of RUB 805,113 thousand and RUB 841,942 thousand, respectively, represent the Company's obligation to pay the amounts payable to depositors from issuers of the securities that are held in the depository accounts of the Company.

## 11. TRADE AND OTHER PAYABLES

	December 31, 2009 (RUB '000)	December 31, 2008 (RUB '000)
Financial liabilities		
Trade payables	133,360	121,143
Non-financial liabilities		
Taxes payable, other than income tax	58,585	36,772
Other accounts payable	13,296	12,706
<b>Total trade and other payables</b>	<b>205,241</b>	<b>170,621</b>

As at December 31, 2009 and 2008, trade payables include customer advances for depository services in the amount of RUB 117,285 thousand and RUB 107,161 thousand, respectively.

## 12. REDEEMABLE CONTRIBUTIONS OF PARTICIPANTS

As at December 31, 2008 redeemable contributions of NDC participants totaled RUB 62,280 thousand. The participants had the right to require return of the initial monetary contributions they had made to the NDC property. Therefore, as at December 31, 2008 the financial statements included NDC's liability to return the contributions to the NDC participants.

Following the reorganization of NDC in 2009 the above amount was transferred to the share capital and additional paid-in-capital of the Company.

### 13. INTEREST INCOME

Interest income represents interest income on due from banks stated at amortized cost. Interest income is received on assets that are not impaired.

### 14. OPERATING EXPENSES

	Year ended December 31, 2009 (RUB '000)	Year ended December 31, 2008 (RUB '000)
Staff costs	406,998	374,661
Rent expense on premises and plant, property and equipment	141,347	134,412
Fees of registrars and depositories	90,151	119,630
Advertising and marketing services	29,834	30,964
Depreciation and amortization expense	32,095	22,296
Administrative costs	25,052	21,023
Information, consulting and audit services	12,231	16,204
Services of regional stock exchanges	11,475	11,760
Business trip expenses	9,380	11,390
Other expenses	13,139	14,142
<b>Total operating expenses</b>	<b>771,702</b>	<b>756,482</b>

For the years ended December 31, 2009 and 2008 the staff costs included statutory contributions to the social security fund and to the State Pension Fund totaling RUB 46,886 thousand and RUB 29,098 thousand, respectively.

### 15. INCOME TAX

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

The Company is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

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 December 31, 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The tax rate used for the 2009 and 2008 reconciliations below is the corporate tax rate of 20% and 24%, respectively, payable by corporate entities in the Russian Federation on taxable profits under tax law in that jurisdiction.

In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 24% to 20% effective from January 1, 2009. Current year Russian income tax was measured at 24% in 2008 of the estimated assessable profit for the year as at December 31, 2008 deferred income tax was measured at 20%.

Temporary differences as at December 31, 2009 and 2008 comprise:

	December 31, 2009 (RUB '000)	December 31, 2008 (RUB '000)
<b>Tax effect from deductible temporary differences</b>		
Trade and other payables	1,238	2,012
<b>Total deferred tax assets</b>	<b>1,238</b>	<b>2,012</b>
<b>Tax effect from taxable temporary differences</b>		
Investments in associates and assets held for sale	(22,455)	(17,467)
Property, plant and equipment	(3,232)	(1,178)
<b>Total deferred tax assets</b>	<b>(25,687)</b>	<b>(18,645)</b>
<b>Net deferred tax liabilities</b>	<b>(24,449)</b>	<b>(16,633)</b>

Relationships between tax expenses and accounting profit for the years ended December 31, 2009 and 2008 are explained below:

	Year ended December 31, 2009 (RUB '000)	Year ended December 31, 2008 (RUB '000)
<b>Profit before tax</b>	<b>637,671</b>	<b>550,911</b>
Tax at the statutory tax rate (2009–20%; 2008–24%)	127,534	132,219
Effect of tax rate, different from the prime rate of 24%	—	(520)
Adjustments for expense non-deductible for tax purposes	16,435	17,321
<b>Income tax expense for the year</b>	<b>143,969</b>	<b>149,020</b>

Income tax expense comprises:

	Year ended December 31, 2009 (RUB '000)	Year ended December 31, 2008 (RUB '000)
Current income tax expense	136,153	146,419
Deferred income tax expense	7,816	2,601
<b>Income tax expense for the year</b>	<b>143,969</b>	<b>149,020</b>

## 16. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while ensuring the efficient management of risks, the necessary level of liquidity, as well as the compliance with the capital adequacy requirements as established by the Federal Service for Financial Markets with respect to professional players operating in the securities market.

The Company uses its equity for maintaining its operating activities. In 2009 and 2008, the Company did not make any borrowings for capital purposes.

The Company's overall capital risk management policy remains unchanged from 2008.

## 17. FINANCIAL RISK MANAGEMENT

The Company manages financial risks (i.e. credit, currency, liquidity, and interest rate risks) and operational 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. Management of operational and legal risks is intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

**Credit risk** — The Company is exposed to the credit risk, which is the risk that a counterparty will not be able to pay amounts in full when due.

The Company's maximum exposure to credit risk is represented by the amount of accounts receivable and due from banks and varies significantly, depending on both the risks inherent in individual assets and general market economy risks. The Company has no assets and liabilities for netting and its assets are not collateralized.

The Company performs analyses of the financial standing of its debtors and the maturity of receivables on the basis of which impairment provision is created, if any.

As at December 31, 2009 and 2008 the Company had trade and other receivables overdue for the period of up to 45 days but not impaired in the amount RUB 2,122 thousand and RUB 2,850 thousand. The said receivables are not collateralized.

Financial assets are graded according to the current credit rating that have been issued by external internationally regarded agencies. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of unimpaired financial assets:

As at December 31, 2009:

	A	BBB	<BBB	Not rated	As at December 31, 2009 Total
Cash and cash equivalents	—	228,719	—	803,898	1,032,617
Due from banks	—	941,556	484,195	—	1,425,751
Investments in associates	—	—	—	114,253	114,253

As at December 31, 2008:

	A	BBB	<BBB	Not rated	As at December 31, 2008 Total
Cash and cash equivalents	20,789	81,885	—	781,360	884,034
Due from banks	—	1,075,010	—	—	1,075,010
Securities available-for-sale	—	—	—	4,700	4,700
Investments in associates	—	—	—	525,226	525,226

**Geographic risk** — As at December 31, 2009 and 2008 all assets and liabilities of the Company were located in the Russian Federation. The Company operates in the Russian Federation only.

**Liquidity risk** — Liquidity risk is defined as the risk when the maturities of deposited funds and maturities of liabilities do not match. As at December 31, 2009 the maturities of assets and liabilities were assessed by the management as not involving any significant liquidity risk. Nevertheless, certain balance sheet items have various maturities as at December 31, 2009.

The following table analyzes financial assets and liabilities by maturity as at December 31, 2009:

	Up to 1 month	1 month to 3 months	3 months to 1 year	Maturity undefined	December 31, 2009 Total (RUB '000)
<b>Financial assets</b>					
Cash and cash equivalents	1,032,617	—	—	—	1,032,617
Due from banks	697,526	125,951	602,274	—	1,425,751
Trade and other receivables	—	139,848	—	—	139,848
Investments in associates	—	—	—	114,253	114,253
Assets held for sale	—	—	435,911	—	435,911
<b>Total financial assets</b>	<b>1,730,143</b>	<b>265,799</b>	<b>1,038,185</b>	<b>114,253</b>	<b>3,148,380</b>
<b>Financial liabilities</b>					
Income on securities payable to depositors	805,113	—	—	—	805,113
Trade payables	—	133,360	—	—	133,360
<b>Total financial liabilities</b>	<b>805,113</b>	<b>133,360</b>	<b>—</b>	<b>—</b>	<b>938,473</b>
Liquidity gap	925,030	132,439	1,038,185	114,253	2,209,907
<b>Cumulative liquidity gap</b>	<b>925,030</b>	<b>1,057,469</b>	<b>2,095,654</b>	<b>2,209,907</b>	

The following table analyzes some financial assets and liabilities by maturity as at December 31, 2008:

	Up to 1 month	1 month to 3 months	3 months to 1 year	Maturity undefined	December 31, 2009 Total (RUB '000)
<b>Financial assets</b>					
Cash and cash equivalents	884,034	—	—	—	884,034
Due from banks	195,223	112,920	766,867	—	1,075,010
Trade and other receivables	—	109,100	—	—	109,100
Securities available-for-sale	—	—	—	4,700	4,700
Investments in associates	—	—	—	525,226	525,226
<b>Total financial assets</b>	<b>1,079,257</b>	<b>222,020</b>	<b>766,867</b>	<b>529,926</b>	<b>2,598,070</b>
<b>Financial liabilities</b>					
Income on securities payable to depositors	841,942	—	—	—	841,942
Trade payables	—	121,143	—	—	121,143
<b>Redeemable contributions of participants</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>62,280</b>	<b>62,280</b>
Total financial liabilities	841,942	121,143	—	62,280	1,025,365
Liquidity gap	<b>237,315</b>	<b>100,877</b>	<b>766,867</b>	<b>467,646</b>	<b>1,572,705</b>
<b>Cumulative liquidity gap</b>	<b>237,315</b>	<b>338,192</b>	<b>1,105,059</b>	<b>1,572,705</b>	

**Currency risk** — Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The weight of the foreign currency component of the Company's open position is insignificant and, therefore, the Company is not exposed to substantial currency risk.

**Interest rate risk** — Due to the special nature of its operations, the Company is not exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company does not have interest bearing obligations. Interest rates on due from banks are usually set for a short period of time. The management of the Company controls the interest rate risk at the Company level.

## 18. CONTINGENCIES

**Legal proceedings** — From time to time and in the normal course of business, claims against the Company 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** — Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation which allows the Russian tax authorities to take decisions based on their own arbitrary interpretations of these provisions. In practice, the RF 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 RF 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 Company 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 RF 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** — Although in recent years there has been a general improvement in economic conditions in the Russian Federation, Russia continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Russia continue to change rapidly. Russian tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

**Ongoing global liquidity crisis** — The financial markets, both globally and in the Russian Federation, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

The global financial turmoil has significantly affected the Russian economy. It has resulted in a decrease of Russia’s GDP, significant declines in debt and equity prices and a substantial outflow of capital. In addition, Russia is also facing a relatively high level of inflation. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2008 and 2009. The Russian government initiated the adoption of a package of federal laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Russia’s economy. However, at this stage there is no clarity with respect to efficiency of these measures.

While many countries, including Russia, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or decline in the oil and gas prices could slow or disrupt the Russian economy, adversely affect the Company’s access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

While the Russian government has introduced a range of stabilization measures aimed at providing liquidity to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company’s financial position, results of operations and business prospects.

Management is unable to reliably estimate the effects on the Company’s financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company’s business in the current circumstances.

**Fiduciary assets** — these assets are not recorded on the balance sheet since these are not the Company's assets. Fiduciary assets comprise.

:

(in RUB million)	Market value	
	December 31, 2009	December 31, 2008
Corporate bonds	2,214,752	1,547,083
Russian State Bonds (OFZ)	1,569,749	1,244,024
Corporate shares	1,367,399	777,772
Municipal bonds	386,725	276,541
Bonds of the Central Bank of the Russian Federation	290,661	12,908
Eurobonds	219,648	234,078
Unit Investment Trust (UIT) units	36,875	37,633
<b>Total</b>	<b>6,085,809</b>	<b>4,130,039</b>

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments below are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure" and IAS 39 "Financial instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosure"). 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 Company 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 Company is presented below:

	December 31, 2009		December 31, 2008	
	Current value (RUB '000)	Fair value (RUB '000)	Current value (RUB '000)	Fair value (RUB '000)
Cash and cash equivalents	1,032,617	1,032,617	884,034	884,034
Due from banks	1,425,751	1,425,751	1,075,010	1,075,010
Securities available-for-sale	—	—	4,700	4,700
Income on securities payable to depositors	805,113	805,113	841,942	841,942
Redeemable contributions of participants	—	—	62,280	62,280

## 20. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Company that gives then significant influence over the Company; and that have joint control over the Company;
- Associates — enterprises on which the Company has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- Joint ventures in which the Company is a venturer;
- Key management personnel of the Company or its parent;
- Close members of the family of any individuals referred to in (a) — (d);
- Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (a) — (e);
- Post-employment benefit plans for the benefit of employees of the Company, or of any entity that is a related party of the Company.

The Company had the following balances outstanding as at December 31, 2009 with related parties:

	Companies having control or significant influence on the Company	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
<b>Assets</b>					
Cash and cash equivalents	—	—	803,103	803,103	1,032,617
Trade and other receivables	7,609	5,022	302	12,933	172,617
Investments in associates	—	114,253	—	114,253	114,253
<b>Liabilities</b>					
Trade and other payables	1,894	4	974	2,872	205,241

The Company had the following results of operations with related parties during the year ended December 31, 2009:

	Companies having control or significant influence on the Company	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Commission income on depository services	101,982	49,344	2,278	153,603	1,274,788
Other operating income	—	—	735	735	3,789
Operating expenses	139,265	35	14,014	153,314	771,702
Including:					
Rent and maintenance expenses on property, plant and equipment	139,053	—	—	139,053	
Services of registrars	—	35	—	35	
Services of regional stock exchanges	—	—	12,729	12,729	
Administrative expenses	212	—	1,285	1,497	
Share of profit attributable to associates	—	24,938	—	24,938	24,938

Balances on outstanding with related parties as at December 31, 2008 comprised:

	Companies having control or significant influence on the Company	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
<b>Assets</b>					
Cash and cash equivalents	—	—	780,003	780,003	884,034
Trade and other receivables	10,015	3,876	143	14,034	168,221
Investments in associates	—	525,226	—	525,226	525,226
<b>Liabilities</b>					
Trade and other payables	1,760	2	879	2,641	170,621
Redeemable contributions of participants	53,560	—	—	53,560	62,280



The Company had the following results of operations with related parties during the year ended December 31, 2008:

	Companies having control or significant influence on the Company	Associates	Companies under joint control	Total transactions with related parties	Total category as per financial statements caption
Commission income on depository services	65,821	61,225	2,460	129,506	1,204,559
Operating expenses					
Including:	126,166	2,159	10,549	138,874	756,482
Operating lease and maintenance of Property, plant and equipments	126,166	—	—	126,166	
Registrar services	—	2,159	—	2,159	
Services of regional stock exchanges	—	—	10,549	10,549	
Share of profit attributable to associates	—	20,668	—	20,668	20,668

Total remuneration to the Company's management in 2009 and 2008 included salaries and bonuses totaling RUB 48,873 thousand and RUB 48,521 thousand, respectively.

In 2009 and 2008, the remuneration to the members of the Board was RUB 4,520 thousand and RUB 3,868 thousand respectively.

## 21. EVENTS AFTER THE BALANCE SHEET DATE

In 2010, the Board approved a business combination project to combine NDC and MICEX Settlement House. According to the plan approved, NDC will be reorganized through a takeover by MICEX Settlement House in 2010.