

Reserve Invest (Cyprus) Limited

Report and financial statements 31 December 2008

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Reserve Invest (Cyprus) Limited

Board of Directors and other officers

Board of Directors

Pavel Novosyolov
Costas Hadjicosti
Petros Economides
Irina Guizikova (resigned on 19 January 2009)
Mikhail Kobysh (resigned on 19 January 2009)
Natalia Kuznetsova (appointed on 6 April 2009)
Olga Plaksina (appointed on 6 April 2009)

Company Secretary

Abacus Secretarial Limited

Elenion Building
2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Registered office

50 Agias Zonis Street
Arianthi Court, 2nd Floor
CY-3090 Limassol
Cyprus

Reserve Invest (Cyprus) Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2008.

Principal activities

2 The principal activities of the Company, which are unchanged from last year, comprise investing/trading in debt and equity securities (including, but not limited to, any form of dividend and interest earning shares, bonds, deposits, loans and financial instruments), brokerage activities, investment management and investment advisory services to IFD Kapital Group, Reserve Invest Holding (Cyprus) Limited Group and other investors for the purpose of providing access to securities markets.

3 The Company is regulated by the Cyprus Securities and Exchange Commission – (CySec) under authorisation number CIF028/04 issued on 4 May 2004 by which it is licensed to operate as a Cypriot Investment Firm and to provide the investment and non-core services in relation to the transferable securities and shares in collective investments undertakings. Also the Company is trading in money market instruments, futures, forward rate agreements, interest rate, currency and equity swaps and options and provides the investment service of underwriting in respect of issues for transferable securities and shares in collective investment undertakings.

Review of developments, position and performance of the Company's business

4 The year 2008 was a challenging year for Reserve Invest (Cyprus) Limited. The net loss for the year was \$427.216.326 versus a profit in 2007 of \$43.089.593. The majority of this loss stems from lower marked to market values for holdings in Russian securities. The total assets of the Company fell from \$2.504.342.455 at the end of 2007 to \$1.222.028.757 as of 31 December 2008.

5 Reserve Invest (Cyprus) Limited revaluation losses were caused largely by a 75-percent decline in the Russian stock market in the second half of 2008 as the global credit crunch and financial crisis caught-up to emerging markets and investors dumped assets perceived as risky. Energy and commodity related stocks were particularly hit hard as the global economic slowdown eroded demand in these sectors. Political uncertainty and freezing credit markets exacerbated this risk aversion, and a flight to the perceived safety of the US-treasuries, that exposed Russian companies with liabilities in US-dollars, and less liquid assets denominated in rubles, to a deteriorating currency mismatch as the value of the ruble sank.

6 During the credit crisis, and steep drop in equity prices, Reserve Invest (Cyprus) Limited have demonstrated solid performance and met all margin calls in cash and collateral in-full and on-time, satisfying all of its repurchase agreement obligations to its external bank and non-bank financial institution counterparts. Taking into consideration the market situation, including increased volatility, the Company's substantially reduced in 2008 its repurchase agreement obligations from \$1.112.627.721 to \$262.143.668, which is considered by the management as efficient for the Company's operations.

Reserve Invest (Cyprus) Limited

Report of the Board of Directors (continued)

Review of developments, position and performance of the Company's business (continued)

7 Despite the financial crisis Reserve Invest (Cyprus) Limited was able to partially profit from a drop in Russian equity prices through the use of equity options. The Company will continue its hedging strategies with regards to foreign exchange, interest rate and liquidity risks as well as strengthen its internal controls over credit risks.

Principal risks and uncertainties

8 The principal risks and uncertainties of the Company are identified and disclosed in Notes 3 and 30 to the financial statements under "Financial Risk Management" and "Operating Environment".

Future developments

9 Reserve Invest (Cyprus) Limited will continue its principal activities, while expanding its product range and strength the internal controls. The Company will continue to focus on asset management as well as own trading and sales to for both external clients and related Group companies. The Company's business mix has positioned the firm well for many long-term trends affecting emerging markets such as the growing demand for energy and a revitalization of the power sector in Russia. The Company expects a recovery in these markets based on continued global growth, and the demand that it will create for energy and commodities, but recognizes that this recovery may take time. A reduction in global financial imbalances should help support this long-term growth through better macroeconomic fundamentals, a more managed approach towards risk, less leverage and an improvement in the investment climate. Just as Reserve Invest (Cyprus) Limited was hurt by a temporary reversal in these broad macro-trends in 2008, so will the Company be strongly positioned to benefit once markets begin to recover.

Results

10 The Company's results for the year are set out on page 8. The Board of Directors recommends the payment of a dividend as detailed below.

Dividends

11 During the year 2008 the Board of Directors resolved to pay the following dividends:

- On 31 July 2008, an interim dividend of US\$17.952.196 out of year's 2006 profits.
- On 11 August 2008, an interim dividend of US\$8.711.094 out of year's 2006 profits.
- On 15 August 2008, an interim dividend of US\$5.637.935 out of year's 2006 profits.
- On 12 November 2008, an interim dividend of US\$325.365.000 out of year's 2006 profits.

Reserve Invest (Cyprus) Limited

Report of the Board of Directors (continued)

Share capital

12 With the introduction of euro as the official currency of the Republic of Cyprus as from 1 January 2008, the nominal value of the Company's share capital has changed from Cyprus pounds to Euro based on the definite fixing of the exchange rate EUR 1 = CYP0,585274.

13 On 12 November 2008, the Board of Directors resolved to issue 50 000 shares of EUR1,71 each at a premium of US\$6.505,12 per share. The shares were issued and allotted to Reserve Invest Holding (Cyprus) Limited as a settlement of dividend due to shareholder in the amount of US\$325.365.000.

Board of Directors

14 The members of the Board of Directors at 31 December 2008 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year.

15 Messrs Irina Guizikova and Mikhail Kobysh resigned on 19 January 2009.

16 On 27 February 2009, the Company filed a notification to the Cyprus Securities and Exchange Commission in respect of change of Directors and the appointment of Mrs Natalia Kuznetsova and Mrs Olga Plaksina. On 6 April 2009, both of them were formally appointed as Directors of the Company.

17 There were no significant changes in the assignment of responsibilities of the Board of Directors. Details regarding the remuneration of the Board of Directors are stated in Note 31(h) to the financial statements.

Registered office address

18 The registered office address of the Company was changed as from 1 April 2008. The new address is 50 Agias Zonis Street, Arianthi Court 2nd Floor, CY-3090 Limassol, Cyprus.

Events after the balance sheet date

19 There were no material events which occurred after the end of the financial year.

Branches

20 The Company did not operate through any registered branches during the year.

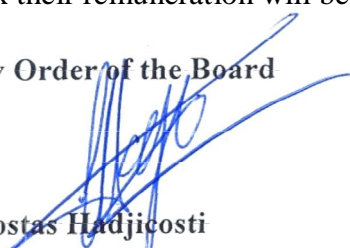
Reserve Invest (Cyprus) Limited

Report of the Board of Directors (continued)

Auditors

21 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



Costas Hadjicosti
Director

Limassol
6 April 2009

Independent Auditors' Report To the Members of Reserve Invest (Cyprus) Limited

PricewaterhouseCoopers Limited

Julia House
3 Themistocles Dervis Street
CY-1066 Nicosia
P O Box 21612
CY-1591 Nicosia, Cyprus
Telephone: + 357 - 22555000
Facsimile: + 357 - 22555001
www.pwc.com/cy

Report on the Financial Statements

We have audited the financial statements of Reserve Invest (Cyprus) Limited (the "Company") on pages 8 to 55, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. 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 about 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 the Board of Directors, 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 reasonable basis for our audit opinion.

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(6)

Board Members: Phidias K Piliades (CEO), Dinos N Papadopoulos (Deputy CEO), Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Loizou, Vasilis Hadjivasiliou, Androulla S Pittas, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Andreas T Constantiniades, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaides, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis, Stavros A Kattamis, Yiangos A Kaponides, Tasos N Nolas, Chrysilios K Pelekanos, Eftychios Eftychiou, George C Lambrou, Chris Odysseos, Constantinos L Kapsalis, Stelios A Violaris
Directors of Operations: Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros, Demetris V Psaltis, George A Ioannou, George C Kazamias, Michael Kliriotis, Marios G Melanides, Sophie A Solomonidou, Yiannis Televantides

Basis for Qualified Opinion

The Company's financial statements do not disclose the name of the ultimate controlling party as required by IAS24 "Related Party Disclosures". In our opinion, disclosure of the ultimate controlling party is necessary for a proper understanding of the Company's financial statements.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Reserve Invest (Cyprus) Limited as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 5 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 6 April 2009

Reserve Invest (Cyprus) Limited

Income statement for the year ended 31 December 2008

	Note	2008 US\$	2007 US\$
Income			
Net (losses)/gains on financial assets and financial liabilities at fair value through profit or loss	16	(420,964,017)	29,094,069
(Loss)/profit on disposal of available for sale financial assets	13	(713,638)	2,563,388
Interest income	7	31,413,360	44,325,203
Fee and commission income	9	649,775	2,577,123
Dividend income		32,521,836	32,419,913
Net foreign exchange (losses)/gains		(6,893,569)	7,781,961
Total (losses)/income		(363,986,253)	118,761,657
Expenses			
Interest expense	8	(42,575,825)	(61,010,734)
Fees and commission expense	9	(2,692,681)	(2,990,520)
Staff costs	6	(2,670,007)	(1,867,822)
Directors' fees	31(h)	(27,500)	(65,589)
Auditors' remuneration		(82,544)	(83,695)
Legal, professional and consultancy fees		(459,005)	(482,070)
Other expenses	5	(1,158,544)	(781,547)
Provision for impairment of financial assets	10	(7,874,740)	-
Total expenses		(57,540,846)	(67,281,977)
(Loss)/profit before tax		(421,527,099)	51,479,680
Tax	11	(5,689,227)	(8,390,087)
(Loss)/profit for the year		(427,216,326)	43,089,593

The notes on pages 12 to 55 are an integral part of these financial statements.

Reserve Invest (Cyprus) Limited

Balance sheet at 31 December 2008

	Note	2008 US\$	2007 US\$
Assets			
Non-current assets			
Property, plant and equipment	12	390.032	417.739
Available-for-sale financial assets	13	7.491.219	11.358.271
Loans and receivables	14	185.083.633	190.309.851
		<u>192.964.884</u>	<u>202.085.861</u>
Current assets			
Financial assets at fair value through profit or loss	16	188.348.248	553.095.588
Pledged assets	17	592.345.149	1.289.191.906
Loans and receivables	14	128.393.898	426.914.170
Corporation tax receivable		815.475	113.762
Cash and cash equivalents	21	119.161.103	32.941.168
		<u>1.029.063.873</u>	<u>2.302.256.594</u>
Total assets		<u>1.222.028.757</u>	<u>2.504.342.455</u>
Equity and liabilities			
Capital and reserves			
Share capital	22	1.832.753	1.722.222
Share premium	23	737.322.972	412.066.959
Fair value reserve	24	846.578	3.747.450
Retained earnings		169.400.544	954.284.639
Total equity		<u>909.402.847</u>	<u>1.371.821.270</u>
Current liabilities			
Trade and other payables	25	10.767.740	14.129.756
Bank overdraft	21	4.654	-
Financial liabilities at fair value through profit or loss	26	7.886.798	5.373.438
Repurchase agreements	17	262.143.668	1.112.627.721
Current tax liabilities		656.820	390.270
Borrowings	27	31.166.230	-
Total liabilities		<u>312.625.910</u>	<u>1.132.521.185</u>
Total equity and liabilities		<u>1.222.028.757</u>	<u>2.504.342.455</u>

On 6 April 2009, the Board of Directors of Reserve Invest (Cyprus) Limited authorised these financial statements for issue.

Costas Hadjicosti, Director

Natalia Kuznetsova, Director

The notes on pages 12 to 55 are an integral part of these financial statements.

Reserve Invest (Cyprus) Limited

Statement of changes in equity for the year ended 31 December 2008

	Note	Share capital US\$	Share premium US\$	Fair value reserve US\$	Retained earnings ⁽¹⁾ US\$	Total equity US\$
Balance at 1 January 2007		1.722.222	412.066.959	2.747.250	1.097.923.901	1.514.460.332
Available for sale financial assets:						
Transfer to profit due to disposal		-	-	(2.040.814)	-	(2.040.814)
Fair value gain	24	-	-	3.041.014	-	3.041.014
Net income recognised directly in equity		-	-	1.000.200	-	1.000.200
Profit for the year		-	-	-	43.089.593	43.089.593
Total recognised income for 2007		-	-	1.000.200	43.089.593	44.089.793
Dividends declared		-	-	-	(186.728.855)	(186.728.855)
Balance at 31 December 2007/1 January 2008		1.722.222	412.066.959	3.747.450	954.284.639	1.371.821.270
Available for sale financial assets:						
Transfer to loss due to disposal		-	-	(127.810)	-	(127.810)
Fair value loss		-	-	(2.773.062)	-	(2.773.062)
Net loss recognised directly in equity		-	-	(2.900.872)	-	(2.900.872)
Loss for the year		-	-	-	(427.216.326)	(427.216.326)
Total recognised loss for 2008		-	-	(2.900.872)	(427.216.326)	(430.117.198)
Additional issue of shares	22	108.987	325.256.013	-	-	325.365.000
Capitalisation of reserves on conversion of share capital to Euro	22	1.544	-	-	(1.544)	-
Dividends declared	28	-	-	-	(357.666.225)	(357.666.225)
Balance at 31 December 2008		1.832.753	737.322.972	846.578	169.400.544	909.402.847

- (1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 12 to 55 are an integral part of these financial statements.

Reserve Invest (Cyprus) Limited

Cash flow statement for the year ended 31 December 2008

	Note	2008 US\$	2007 US\$
Cash flows from operating activities			
(Loss)/profit before tax		(421,527,099)	51,479,680
Adjustments for:			
Depreciation of property, plant and equipment	12	85,690	68,760
Net losses/(gains) on financial assets/liabilities at fair value through profit or loss	16	420,964,017	(29,094,069)
Loss/(profit) on disposal of available for sale financial assets	13	713,638	(2,563,388)
Dividend income		(32,521,836)	(32,419,913)
Interest income on loans		(13,379,293)	(16,463,798)
Interest expense on borrowings	8	2,267,170	627,349
Impairment of financial assets		7,874,740	-
		(35,522,973)	(28,365,379)
Changes in working capital:			
Trade and other receivables		(61,557,775)	59,198,969
Reverse repurchase agreements		327,625,735	(164,589,492)
Financial assets at fair value through profit or loss		(56,216,677)	13,520,865
Pledged assets		696,846,757	34,491,491
Promissory notes		15,852,806	15,326,801
Financial liabilities at fair value through profit and loss		2,513,360	(5,280,285)
Trade and other payables		(3,362,016)	4,453,102
Repurchase agreements		(852,196,596)	216,868,420
Fixed deposits with banks		7,000,000	2,998,312
Cash generated from operations		40,982,621	148,622,804
Tax paid		(6,124,390)	(8,516,157)
Net cash generated from operations		34,858,231	140,106,647
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(57,983)	(271,545)
Loans granted		(14,272,263)	(30,000,000)
Loan repayments received		21,241,349	48,696,334
Acquisition of available for sale financial assets	13	(3,118,467)	(966,180)
Proceeds from redemption/sale of available-for-sale financial assets		3,371,009	21,759,017
Interest received		17,770,012	11,359,669
Dividends received		29,825,558	29,506,267
Net cash generated from investing activities		54,759,215	80,083,562
Cash flows from financing activities			
Receipts from borrowings		145,000,000	10,400,000
Repayment of borrowings		(115,000,000)	(33,710,952)
Dividends paid to Company's shareholders	28	(32,301,225)	(186,728,855)
Interest paid		(1,100,940)	(627,349)
Net cash used in financing activities		(3,402,165)	(210,667,156)
Net increase in cash and cash equivalents		86,215,281	9,523,053
Cash and cash equivalents at beginning of year		32,941,168	23,418,115
Cash and cash equivalents at end of year	21	119,156,449	32,941,168

The notes on pages 12 to 55 are an integral part of these financial statements.

Reserve Invest (Cyprus) Limited

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. The Company is a 100% subsidiary of Reserve Invest Holding (Cyprus) Limited, a Cyprus incorporated company. The Company's registered office is at 50 Agias Zonis Street, Arianthi Court 2nd Floor, CY-3090 Limassol, Cyprus. The Company's principal place of business is at Maximos Plaza, Block 3, 3rd floor, 6 Griva Digheni Avenue, office 3301, CY-3035 Limassol, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, comprise investing/trading in debt and equity securities (including, but not limited to, any form of dividend and interest earning shares, bonds, deposits, loans and financial instruments), brokerage activities, investment management and investment advisory services to IFD Kapital Group, Reserve Invest Holding (Cyprus) Limited Group and other investors for the purpose of providing access to securities markets.

The Company is regulated by the Cyprus Securities and Exchange Commission (CySec) under authorisation number CIF028/04 issued on 4 May 2004 by which it is licensed to operate as a Cypriot Investment Firm and to provide the investment and non-core services in relation to the transferable securities and shares in collective investments undertakings. Also the Company is trading in money market instruments, futures, forward rate agreements, interest rate, currency and equity swaps and options and provides the investment service of underwriting in respect of issues for transferable securities and shares in collective investment undertakings.

2 Summary of significant accounting policies

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

Basis of preparation

The financial statements of Reserve Invest (Cyprus) Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Companies Law, Cap. 113. In addition the financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRS

In the current year the Company adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2008. This adoption did not result in substantial changes to the Company's accounting policies.

At the date of authorisation of these financial statements the following International Financial Reporting Standards (IFRS) and IFRIC Interpretations that have been issued by the IASB, and which the Company has not early adopted, are as follows:

New standard/ Interpretation	Effective date
<i>Standards that become effective for years ending 31 December 2009</i>	
IFRS 8 "Operating Segments"	1 January 2009
IAS 23 (Amendment) "Borrowing Costs"	1 January 2009
IFRIC Interpretation 13 "Customer Loyalty Programmes"	1 July 2008 (EU IFRS: 1/1/2009)
IAS 1 (Revised 2007) "Presentation of Financial Statements"	1 January 2009
IFRS 2, Share-based Payment (Amendment 2008: Vesting Conditions and Cancellations)	1 January 2009
IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements (Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation)	1 January 2009
IFRIC 15, Agreements for the construction of real estate*	1 January 2009
IFRIC 16, Hedges of a net investment in a foreign operation*	1 October 2008
Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the 'Cost of an investment in a subsidiary, jointly controlled entity or associate'.	1 January 2009

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRS (continued)

New standard/ Interpretation	Effective day
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As part of the IFRS improvements project 2008 a number of standards have been amended which either result in accounting changes on presentation, recognition or measurement purposes (denoted by (I)) or amendments to terminology or editorial changes or both (denoted by (II)):

IAS 1 “Presentation of Financial Statements” (I)	1 January 2009
IAS 16 “Property, plant and equipment” (I)	1 January 2009
IAS 19 “Employee Benefits” (I)	1 January 2009
IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” (I)	1 January 2009
IAS 23 “Borrowing Costs“ (I)	1 January 2009
IAS 27 “Consolidated and Separate Financial Statements” (I)	1 January 2009
IAS 28 “Investments in Associates” (I)	1 January 2009
IAS 31 “Interests in Joint Ventures” (I)	1 January 2009
IAS 29 “Financial Reporting in Hyperinflationary Economies” (I)	1 January 2009
IAS 36 “Impairment of Assets” (I)	1 January 2009
IAS 38 “Intangible Assets” (I)	1 January 2009
IAS 39 “Financial Instruments: Recognition and Measurement” (I)	1 January 2009
IAS 40 “Investment Property” (I)	1 January 2009
IAS 41 “Agriculture” (I)	1 January 2009
IFRS 7 “Financial Instruments: Disclosures” (II)	1 January 2009
IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (II)	1 January 2009
IAS 10 “Events after the Reporting Period” (II)	1 January 2009

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRS (continued)

New standard/ Interpretation	Effective day
IAS 18 “Revenue” (II)	1 January 2009
IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” (II)	1 January 2009
IAS 29 “Financial Reporting in Hyperinflationary Economies” (II)	1 January 2009
IAS 34 “Interim Financial Reporting” (II)	1 January 2009
IAS 40 “Investment Property” (II)	1 January 2009
IAS 41 “Agriculture” (II)	1 January 2009
IFRS 1 (revised) ‘First-time adoption’*	1 January 2009

Standards that become effective for years ending 31 December 2010

IFRS 3 (Revised 2008), “Business Combinations”*	Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009
IAS 27 (Revised 2008), “Consolidated and Separate Financial Statements”*	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners*	1 July 2009
Amendment to IAS 39, ‘Financial Instruments: ‘Recognition and measurement-Eligible hedged items’.*	1 July 2009

As explained above, as part of the IFRS improvements project 2008 a number of standards have been amended which either result in accounting changes on presentation, recognition or measurement purposes (denoted by (I)) or amendments to terminology or editorial changes or both (denoted by (II)):

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (I)	1 July 2009
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* Have not been endorsed by the European Union

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRS (continued)

The Board of Directors anticipates that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

(a) Fee and commission income

(1) Brokerage commissions

Brokerage commissions are recognised when the ownership of the securities is transferred.

(2) Asset management and advisory services

Asset management and advisory services income is recognised based on the applicable service contracts, usually on a time proportionate basis.

(b) Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in United States Dollars (US\$), which is the Company’s functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of tax losses available for carry forward is recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Motor vehicles	25
Furniture, fixtures and office equipment	10 – 20
Computer hardware	15

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in the income statement.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Financial assets and financial liabilities

(a) *Classification*

The Company classifies its financial assets and financial liabilities in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

(1) **Financial assets and financial liabilities at fair value through profit or loss**

Financial assets or financial liabilities are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are also categorised as financial assets or financial liabilities held for trading. The Company does not classify any derivatives as hedges in an accounting hedging relationship. Assets in this category are classified as current assets and liabilities as current liabilities.

Securities sold short are those positions where the Company has sold a security that it does not own in anticipation of a decline in the market value of the security and are classified as financial liabilities at fair value through profit or loss. To enter a short sale, the Company may need to borrow the security for delivery to the buyer. On each day the short sale transaction is open, the liability to replace the borrowed security is marked-to-market and a revaluation gain or loss is recorded in the income statement. While the transaction is open the Company will also incur an expense for any dividends or interest that will be paid to the lender of the securities.

(2) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the Company upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(3) **Available for sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(b) *Recognition/derecognition*

Regular way purchases and sales of financial assets or financial liabilities at fair value through profit or loss and available-for-sale are recognised on the settlement date - the date that an asset is delivered to or by the Company. The asset is derecognised and a gain or loss on disposal is recognised on the date it is delivered by the Company. Any change in the fair value of the acquired asset in the period between the trade date and the settlement date is recognised in the income statement.

(c) *Measurement*

Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets and financial liabilities not carried at fair value through profit or loss. Financial assets and financial liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets or financial liabilities at fair value through profit or loss” category are presented in the income statement within net gains on financial assets and financial liabilities at fair value through profit or loss in the year in which they arise. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

(d) *Fair value estimation*

The fair value of financial instruments traded in an active market (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid prices; the appropriate quoted market price for financial liabilities is the current asking price. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(e) *Impairment*

(i) *Assets carried at fair value*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(ii) *Assets carried at amortised cost*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Derivative financial instruments

Derivative financial instruments which include exchange trade futures and options and over the counter options on equities, fixed income securities, commodities, foreign exchange contracts, forward rate agreements, currency options (both written and purchased) are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Derivatives are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative.

Changes in the fair value of derivatives are recognised in the income statement and presented within net gains on financial assets and financial liabilities at fair value through profit or loss. The Company has not applied hedge accounting in the year 2008 and 2007.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Offsetting financial instruments

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

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are retained and classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the corresponding counter-party liability is disclosed separately in current liabilities under repurchase agreements. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to counterparties and presented under reverse repurchase agreements. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective yield method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in the income statement. The obligation to return them is recorded at fair value as a financial liability at fair value through profit or loss.

Employee benefits

The Company and the employees contribute to the Government Social Insurance Fund based on employees' salaries. The premiums paid, are expensed as incurred and are included in staff costs. The Company has no further payment obligations once the contributions have been paid.

Share capital

Ordinary shares are classified as equity.

Share premium

Share premium represents the excess of contributions over the nominal value of the shares issued.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Accounts payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation of the current period.

3 Financial risk management

(1) Financial risk factors

The Company's activities expose it to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below. The primary objectives of the financial risk management are to establish risk limits and then ensure that exposure to the risks stays within these limits.

(a) Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's investments at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's investment portfolio comprises mainly of shares and ADR's of entities listed in the Russian equities market, promissory notes, Eurobonds and other corporate shares (Note 16). The Company's management monitors the price risk fluctuations on a continuous basis and acts accordingly.

The Company's market price risk is significantly concentrated. OAO Lukoil Company shares and ADRs represent around 90% of the total value of financial assets at fair value through profit or loss and pledged assets as at 31 December 2008 and 31 December 2007. The exposure to the market price risk of OAO Lukoil shares and ADRs is recognised by the management as one of the major market price risks of the Company. The changes in price of OAO Lukoil and ADRs have a material impact on the profit of the Company which is demonstrated by the calculations below:

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Market price risk (continued)

	2008 US\$	2007 US\$
Lukoil equities and derivatives on the balance sheet	692.150.097	1.706.464.720
Total financial assets at fair value through profit or loss and pledged assets	780.693.397	1.842.287.494
Percentage on financial assets	89%	93%
Number of Lukoil shares	792 194	1 637 657
Number of Lukoil ADRs	21 093 659	17 978 018
	<u>21 885 853</u>	<u>19 615 675</u>
	=====	=====
Price change US\$10-effect on net trading profit and net profit of the Company	218.858.530	196.156.750
Price change US\$50-effect on net trading profit and net profit of the Company	1.094.292.650	980.783.750
10% price change-effect on net trading profit and net profit of the Company	761.866.842	1.862.828.631
30% price change-effect on net trading profit and net profit of the Company	900.388.086	2.201.524.746

The management of the short-term market price risks under normal market conditions is performed by calculation of the 95% conditional value-at-risk using either historical modeling or the Monte-Carlo method. The risk management also performs stress-testing to evaluate the risks beyond the normal market conditions. The long-term measurement of the market price risk is also an important part of the risk management process and it is carried out using different statistical methods.

Given the significant volume of financing obtained via repurchase transactions secured by OAO Lukoil ADRs the Company might also be exposed to additional liquidity risk from the requirements to post extra ADRs/cash on margin calls in the condition of a downturn market. The risk management monitors the market price risk of OAO Lukoil ADRs and prepares the forecast of margin call claims on a daily basis to ensure the necessary number of ADRs or cash are accumulated within an appropriate time period.

(b) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Financial assets and financial liabilities issued at variable rates expose the Company to cash flow interest rate risk. Financial assets and financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company both lends and borrows

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Interest rate risk (continued)

at variable interest rates which are normally reviewed on a short-term basis. However, the Company is exposed to interest rate risk principally as a result of the structure of its assets and liabilities. The total interest bearing liabilities normally exceed the total interest bearing assets which exposes the Company to the risk of an increase in interest rates. However as at 31 December 2008 a considerable cash balances resulted in a positive interest sensitivity gap. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates.

31 December 2008

	Demand and less than 1 month US\$	1 month to 1 year US\$	Over 1 Year US\$	Non-interest bearing US\$	Total US\$
Assets					
Property, plant and Equipment	-	-	-	390.032	390.032
Available for sale financial assets	-	-	-	7.491.219	7.491.219
Loans receivable	156.802	171.678.052	-	-	171.834.854
Financial assets at fair value through profit or loss	24.938.324	-	-	163.409.924	188.348.248
Pledged assets	-	-	-	592.345.149	592.345.149
Trade and other receivables	1.182.590	-	-	114.481.596	115.664.186
Corporation tax receivable	-	815.475	-	-	815.475
Promissory notes	-	6.290.087	15.083.634	-	21.373.721
Reverse repurchase agreements	4.604.770	-	-	-	4.604.770
Cash and cash Equivalents	119.161.103	-	-	-	119.161.103
Total assets	150.043.589	178.783.614	15.083.634	878.117.920	1.222.028.757
Liabilities					
Financial liabilities at fair value through profit or loss	(3.181.607)	-	-	(4.705.191)	(7.886.798)
Bank overdraft	(4.654)	-	-	-	(4.654)
Repurchase agreements	(95.617.964)	(166.525.704)	-	-	(262.143.668)
Trade and other payables	(162.263)	-	-	(10.605.477)	(10.767.740)
Current tax liabilities	-	(656.820)	-	-	(656.820)
Borrowings	-	(31.166.230)	-	-	(31.166.230)
Total liabilities	(98.966.488)	(198.348.754)	-	(15.310.668)	(312.625.910)
Interest sensitivity gap	51.077.101	(19.565.140)	15.083.634		

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Interest rate risk (continued)

31 December 2007

	Demand and less than 1 month US\$	1 month to 1 year US\$	Over 1 Year US\$	Non-interest bearing US\$	Total US\$
Assets					
Property, plant and Equipment	-	-	-	417.739	417.739
Available for sale financial assets	-	-	-	11.358.271	11.358.271
Loans receivable	-	183.194.659	-	-	183.194.659
Financial assets at fair value through profit or loss	31.785.279	-	-	521.310.309	553.095.588
Pledged assets	9.270.798	13.192.622	-	1.266.728.486	1.289.191.906
Trade and other receivables	7.267.276	44.718.294	-	-	51.985.570
Corporation tax receivable	-	113.762	-	-	113.762
Promissory notes	-	16.916.676	20.309.851	-	37.226.527
Reverse repurchase agreements	279.904.318	57.912.947	-	-	337.817.265
Deposits with banks	-	7.000.000	-	-	7.000.000
Cash and cash Equivalents	32.941.168	-	-	-	32.941.168
Total assets	361.168.839	323.048.960	20.309.851	1.799.814.805	2.504.342.455
Liabilities					
Financial liabilities at fair value through profit or loss	(5.373.438)	-	-	-	(5.373.438)
Repurchase agreements	(294.742.629)	(817.885.092)	-	-	(1.112.627.721)
Trade and other payables	(4.428.890)	(9.700.866)	-	-	(14.129.756)
Current tax liabilities	-	(390.270)	-	-	(390.270)
Total liabilities	(304.544.957)	(827.976.228)	-	-	(1.132.521.185)
Interest sensitivity gap	56.623.882	(504.927.268)	20.309.851	-	-
	=====	=====	=====		

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Interest rate risk (continued)

The estimated impact on the profit of the Company of an increase in interest rates based on the structure of interest bearing assets and liabilities with all other variables remaining constant is as follows:

31 December 2008

	Estimated increase in interest income US\$000	Estimated increase in interest expense US\$000	Net effect on profit US\$000
Increase of interest rate by 0,5% (current rates + 0,5)%	1.560	(1.120)	440
Increase of interest rates by 1% (current rates + 1)%	2.410	(2.241)	169
Decrease of interest rate by 0,5% (current rates - 0,5)%	(140)	1.120	980
Decrease of interest rates by 1% (current rates - 1)%	(990)	2.241	1.251

31 December 2007

	Estimated increase in interest income US\$000	Estimated increase in interest expense US\$000	Net effect on profit US\$000
Increase of interest rate by 0,5% (current rates + 0,5)%	15	52	-37
Increase of interest rates by 1% (current rates + 1)%	16	55	-39

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company's credit risk arises primarily with balances with related parties and others. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry sectors. Such risks are subject to regular review. Limits on the level of credit risk by product, borrower and industry sectors are approved regularly by management. Actual exposures against limits are regularly monitored.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Company's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial investments is defined as possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with terms of the contract. The Company uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals risk control limits and monitoring procedures.

Except for an impairment of US\$7.874.740 there were no impaired financial assets on the balance sheet of the Company.

The financial assets and liabilities structured by the credit rating are shown in the table below:

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Credit risk (continued)

31 December 2008

	With external rating						Without external rating			Total
	US\$ 000						US\$ 000			US\$ 000
	AAA+ ... AA-	A+ ... A-	BBB+ ... BBB-	BB+ ... BB-	B+ ... B-	CCC+ ... CCC-	1	2	3	
Available for sale financial assets	-	-	-	-	-	-	-	-	7.491	7.491
Loans receivable	-	-	-	-	170.157	-	1.678	-	-	171.835
Financial assets at fair value through profit or loss	-	1.230	126.430	13.823	11.450	-	-	-	35.415	188.348
Pledged assets	-	-	583.959	-	-	-	-	-	8.386	592.345
Trade and other receivables	-	5.428	923	-	-	-	108.971	60	282	115.664
Promissory notes	-	-	-	-	-	-	-	-	21.374	21.374
Reverse repurchase agreements	-	-	-	-	-	3.543	1.062	-	-	4.605
Cash and cash equivalents	92.703	3.898	157	22.402	-	-	1	-	-	119.161
Bank overdraft	(4)	-	-	-	-	-	(1)	-	-	(5)
Financial liabilities at fair value through profit or loss	-	(1.303)	(1.358)	-	-	-	-	-	(5.226)	(7.887)
Repurchase agreements	-	(193.473)	(59.079)	-	-	-	(9.592)	-	-	(262.144)
Trade and other payables	-	-	-	-	-	-	-	-	(10.767)	(10.767)
Borrowings	-	-	-	-	-	-	(31.166)	-	-	(31.166)

31 December 2007

	With external rating						Without external rating			Total
	US\$ 000						US\$ 000			US\$ 000
	AAA+ ... AA-	A+ ... A-	BBB+ ... BBB-	BB+ ... BB-	B+ ... B-	CCC+ ... CCC-	1	2	3	
Available for sale financial assets	-	-	-	-	-	-	-	-	11.358	11.358
Loans receivable	-	-	-	-	173.660	-	9.534	-	-	183.194
Financial assets at fair value through profit or loss	251	14.491	439.332	25.982	9.486	-	4.434	47.965	11.153	553.094
Pledged assets	-	-	1.263.295	8.889	17.008	-	-	-	-	1.289.192
Trade and other receivables	4.951	3.436	-	16	-	-	42.424	-	1.159	51.986
Promissory notes	-	-	-	-	-	-	-	-	37.227	37.227
Reverse repurchase agreements	-	5.050	-	-	10.450	7.047	228.083	39.172	48.016	337.818
Deposits with banks	-	-	-	-	7.000	-	-	-	-	7.000
Cash and cash equivalents	19.069	790	-	-	13.074	-	-	-	-	32.933
Financial liabilities at fair value through profit or loss	(5.373)	-	-	-	-	-	-	-	-	(5.373)
Repurchase agreements	(548.979)	(335.538)	-	-	-	-	(228.111)	-	-	(1.112.628)
Trade and other payables	-	-	-	-	-	-	-	-	(14.130)	(14.130)

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Credit risk (continued)

Available for sale financial assets:

The assets are classified based on the external rating of the issuer. In cases where no external rating is available the assets are classified based on the listings of the issuer (1 - included on the top quotation lists on Russian stock exchanges - A1 or A2 at MICEX/ RTS or listed on any major international stock exchange; 2 - included on the lower level quotation lists of Russian stock exchanges - B quotation list or unlisted but traded on MICEX/RTS; 3 - not traded on any stock exchanges).

Loans receivable/borrowings:

The loans receivable/borrowings are classified based on the rating of the borrower/lender. In cases where no external rating is available, the credit quality of loans is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Financial assets at fair value through profit or loss:

The financial assets at fair value through profit and loss are classified based on the external rating of the issuer. In cases where no external rating is available the assets are classified based on the listings of the issuer (1 - included on the top quotation lists on Russian stock exchanges - A1 or A2 at MICEX/ RTS or listed on any major international stock exchange; 2

- included on the lower level quotation lists of Russian stock exchanges - B quotation list or unlisted but traded on MICEX/RTS; 3 - not traded on any stock exchanges).

Pledged assets:

The pledged assets are classified based on the external rating of the issuer. In case no external rating is available the assets are classified based on the listings of the issuer (1 - included on the top quotation lists on Russian stock exchanges - A1 or A2 at MICEX/ RTS or listed on any major international stock exchange; 2 - included on the lower level quotation lists of Russian stock exchanges - B quotation list or unlisted but traded on MICEX/RTS; 3 - not traded on any stock exchanges).

Trade and other receivables:

Trade and other receivables are classified based on the external ratings of the counterparties. In case no external rating is available the credit quality of loans is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Credit risk (continued)

Promissory notes:

Promissory notes are classified based on the rating of the issuer. In case no external rating is available the assets are classified based on the listings of the issuer.

Reverse repurchase agreements:

Reverse repurchase agreements are classified based on the external ratings of the counterparties. In case where no external rating is available the credit quality is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Deposits with banks:

Deposits are classified based on the ratings of the bank-counterparty.

Cash and cash equivalents:

Cash and cash equivalents are classified based on the external ratings of the banks-counterparties. In case where no external rating is available the credit quality of loans is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Financial liabilities at fair value through profit or loss:

Financial liabilities are classified based on the rating of the issuer of the financial instrument.

Repurchase agreements:

Repurchase agreements are classified based on the external ratings of the counterparties. In case where no external rating is available the credit quality of loans is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Trade and other payables:

Trade and other payables are classified based on the external ratings of the counterparties. In case where no external rating is available the credit quality of loans is determined with the reference to the experience with the respective counterparty (group 1 - positive experience over 3 years, group 2 - positive experience from 1 to 3 years, group 3 - positive experience of less than 1 year or existence of default record).

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(d) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

As at 31 December 2008 the management of the Company does not believe the current maturity profile of the Company exposes itself to any material liquidity risk, taking into account the level of cash at year end as well as the nature of its trading securities portfolio which is realizable at short notice if required.

The table below shows the assets and liabilities at 31 December 2008 by their remaining contractual maturity:

	Demand and less than 1 month US\$	1 month to 1 year US\$	1-5 years US\$	Not stated maturity US\$	Total US\$
Assets					
Property, plant and equipment	-	-	-	390.032	390.032
Available for sale financial assets	-	-	7.491.219	-	7.491.219
Loans receivable	156.802	1.678.052	170.000.000	-	171.834.854
Financial assets at fair value through profit or loss	188.348.248	-	-	-	188.348.248
Pledged assets	291.154.426	301.190.723	-	-	592.345.149
Trade and other receivables	16.076.214	99.587.972	-	-	115.664.186
Corporation tax receivable	-	815.475	-	-	815.475
Promissory notes	-	6.290.087	15.083.634	-	21.373.721
Reverse repurchase agreements	4.604.770	-	-	-	4.604.770
Cash and cash equivalents	119.161.103	-	-	-	119.161.103
Total assets	619.501.563	409.562.309	192.574.853	390.032	1.222.028.757
Liabilities					
Financial liabilities at fair value through profit or loss	(3.344.424)	(4.542.374)	-	-	(7.886.798)
Bank overdraft	(4.654)	-	-	-	(4.654)
Repurchase agreements	(95.617.964)	(166.525.704)	-	-	(262.143.668)
Trade and other payables	(2.027.398)	(8.740.342)	-	-	(10.767.740)
Current tax liabilities	-	(656.820)	-	-	(656.820)
Borrowings	-	(31.166.230)	-	-	(31.166.230)
Total liabilities	(100.994.440)	(211.631.470)	-	-	(312.625.910)
Net liquidity gap	518.507.123	197.930.839	192.574.853	390.032	909.402.847
Cumulative liquidity at 31 December 2008	518.507.123	716.437.962	909.012.815	909.402.847	

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(d) Liquidity risk (continued)

The liquidity position of the Company as at 31 December 2007 is set out below:

	Demand and less than 1 month US\$	1 month to 1 year US\$	1-5 years US\$	Not stated maturity US\$	Total US\$
Assets					
Property, plant and equipment	-	-	-	417.739	417.739
Available for sale financial assets	-	-	11.358.271	-	11.358.271
Loans receivable	-	13.194.659	170.000.000	-	183.194.659
Financial assets at fair value through profit or loss	553.095.588	-	-	-	553.095.588
Pledged assets	92.205.343	1.196.986.563	-	-	1.289.191.906
Trade and other receivables	7.267.276	44.718.294	-	-	51.985.570
Corporation tax receivable	-	113.762	-	-	113.762
Promissory notes	-	16.916.676	20.309.851	-	37.226.527
Reverse repurchase agreements	279.904.318	57.912.947	-	-	337.817.265
Deposits with banks	-	7.000.000	-	-	7.000.000
Cash and cash equivalents	32.941.168	-	-	-	32.941.168
Total assets	965.413.693	1.336.842.901	201.668.122	417.739	2.504.342.455
Liabilities					
Financial liabilities at fair value through profit or loss	(5.373.438)	-	-	-	(5.373.438)
Repurchase agreements	(294.742.629)	(817.885.092)	-	-	(1.112.627.721)
Trade and other payables	(4.428.890)	(9.700.866)	-	-	(14.129.756)
Current tax liabilities	-	(390.270)	-	-	(390.270)
Total liabilities	(304.544.957)	(827.976.228)	-	-	(1.132.521.185)
Net liquidity gap	660.868.736	508.866.673	201.668.122	417.739	1.371.821.270
Cumulative liquidity at 31 December 2007	660.868.736	1.169.735.409	1.371.403.531	1.371.821.270	

(e) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rouble and Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(e) Currency risk (continued)

At 31 December 2008 the Company's net currency exposure in US\$ was as follows:

	Russian Roubles US\$	United States Dollars US\$	Euro US\$	Total US\$
Property, plant and equipment	-	390.032	-	390.032
Available for sale financial assets	7.491.219	-	-	7.491.219
Loans receivable	1.678.052	170.156.802	-	171.834.854
Financial assets at fair value through profit or loss	159.099.546	29.248.702	-	188.348.248
Pledged assets	10.051.060	582.294.089	-	592.345.149
Trade and other receivables	25.687.006	89.921.383	55.797	115.664.186
Corporation tax receivable	-	-	815.475	815.475
Promissory notes	21.373.721	-	-	21.373.721
Reverse repurchase agreements	1.061.932	3.542.838	-	4.604.770
Cash and cash equivalents	3.403.273	114.767.327	990.503	119.161.103
Financial liabilities at fair value through profit or loss	(3.402.304)	(4.484.494)	-	(7.886.798)
Bank overdraft	-	(569)	(4.085)	(4.654)
Repurchase agreements	(9.590.648)	(252.553.020)	-	(262.143.668)
Trade and other payables	(9.438.287)	(1.098.321)	(231.132)	(10.767.740)
Current tax liabilities	-	-	(656.820)	(656.820)
Borrowings	-	(31.166.230)	-	(31.166.230)
	<u>207.414.570</u>	<u>701.018.539</u>	<u>969.738</u>	<u>909.402.847</u>

At 31 December 2007 the Company's net currency exposure in US\$ was as follows:

	Russian Roubles US\$	United States Dollars US\$	Cyprus Pounds US\$	Euro US\$	Total US\$
Property, plant and equipment	-	417.739	-	-	417.739
Available for sale financial assets	11.358.271	-	-	-	11.358.271
Loans receivable	9.534.400	173.660.259	-	-	183.194.659
Financial assets at fair value through profit or loss	12.702.802	540.392.786	-	-	553.095.588
Pledged assets	-	1.289.191.906	-	-	1.289.191.906
Trade and other receivables	43.082.530	8.843.866	56.172	3.002	51.985.570
Corporation tax receivable	-	-	113.762	-	113.762
Promissory notes	37.226.527	-	-	-	37.226.527
Reverse repurchase agreements	228.613.752	109.203.513	-	-	337.817.265
Deposits with banks	-	7.000.000	-	-	7.000.000
Cash and cash equivalents	1.575.292	30.469.393	792.211	104.272	32.941.168
Financial liabilities at fair value through profit or loss	-	(5.373.438)	-	-	(5.373.438)
Repurchase agreements	(228.641.967)	(883.985.754)	-	-	(1.112.627.721)
Trade and other payables	(4.483.336)	(9.369.009)	(277.411)	-	(14.129.756)
Current tax liabilities	-	-	(390.270)	-	(390.270)
	<u>110.968.271</u>	<u>1.260.451.261</u>	<u>294.464</u>	<u>107.274</u>	<u>1.371.821.270</u>

Reserve Invest (Cyprus) Limited

3 Financial risk management (continued)

(1) Financial risk factors (continued)

(f) Capital risk

Capital risk is the risk that the Company faces that it may lose value on its capital.

When managing capital, the Company's objectives are to safeguard the Company's ability to continue as a going concern in order to provide terms for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Management of the Company carries out regular risk reviews and based on the identified level of risks ensures the adequate relation of the risk profile of the Company to its capital.

The Company is also subject to the Regulatory requirements in respect of the Capital Adequacy. As at 31 December 2008 the Management believes that the Company's activities are strongly supported by shareholders' funds.

The capital risk management is currently considered by the Management as one of the priority directions of the development or risk management function and it is evolving together with the increasing business environmental requirements.

(2) Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair value of financial instruments traded in active markets such as publicly traded financial assets at fair value through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

Reserve Invest (Cyprus) Limited

2 Financial risk management (continued)

(2) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the balance sheet date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

(3) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to clients are excluded from these financial statements where the Company acts in a fiduciary capacity such as nominee, trustee or agent. Commissions received from such business are shown within asset management and brokerage commission income in the income statement.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Reserve Invest (Cyprus) Limited

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Fair value of derivatives is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of Reserve Invest (Cyprus) Limited, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iii) Functional currency

Management concluded that the US Dollar (US\$) is the currency of the primary economic environment in which the entity operates because a significant portion of the transactions, settlements and profits of the Company are influenced by the US Dollars. Moreover the Company's assets and liabilities are largely denominated and settled in US Dollars (Note 3 (1) (e)). In addition a significant portion of the Company's financing is in US Dollar while it also retains receipts from operating activities in US dollars. Also, the US Dollar is the currency in which management of the Company manages business risks and exposures, and measures the performance of its business.

5 Other expenses

	2008 US\$	2007 US\$
Depreciation of property, plant and equipment (Note 12)	85.690	68.760
Rent	120.772	109.751
Telephone, faxes and communication costs	237.399	272.294
Bank charges	57.684	48.440
Travel and accommodation expenses	32.318	32.664
Office supplies and maintenance expenses	61.633	62.637
IT expenses	143.402	1.066
Other sundry expenses	11.146	8.932
Non-recoverable VAT	234.185	138.198
Bad debts	-	23.975
Cars expenses	16.429	14.830
Sponsorship expenses	157.886	-
Total other expenses	<u>1.158.544</u>	<u>781.547</u>

Reserve Invest (Cyprus) Limited

6 Staff costs

	2008 US\$	2007 US\$
Salaries	1.938.206	1.401.282
Bonuses	556.661	328.370
Social insurance costs	155.905	118.996
Medical insurance costs	28.152	19.174
Income tax refunds	(8.917)	-
	<u>2.670.007</u>	<u>1.867.822</u>
	=====	=====

7 Interest income

	2008 US\$	2007 US\$
Interest income on loans with related parties	11.774.611	14.195.813
Interest income on loans with third parties	145	187.161
Interest on subordinated loan agreement with third party	1.604.537	2.080.824
Interest income on promissory notes	3.113.060	5.598.806
Interest income on bonds	4.841.455	12.160.727
Interest income on reverse repurchase and securities lending agreements	8.669.824	9.310.725
Interest on collateral accounts and accounts with brokers	732.420	247.379
Interest income on bank deposits	646.639	428.915
Interest income on overnight bank accounts	30.669	114.853
	<u>31.413.360</u>	<u>44.325.203</u>
	=====	=====

8 Interest expense

	2008 US\$	2007 US\$
Interest expense on borrowings	2.267.170	627.349
Interest on repurchase agreements	39.497.867	59.813.436
Interest expense on collars	683.035	569.949
Interest expense on collateral accounts	126.780	-
Interest on bank overdraft	973	-
	<u>42.575.825</u>	<u>61.010.734</u>
	=====	=====

Reserve Invest (Cyprus) Limited

9 Fee and commission income and expense

	2008 US\$	2007 US\$
Fee and commission income:		
Asset management fees	509.426	1.577.059
Investment advisory fees	14.372	37.047
Brokerage fees	108.758	273.137
Income from underwriting	6.500	19.125
Other	10.719	670.755
Total fee and commission income	<u>649.775</u> =====	<u>2.577.123</u> =====
Fee and commission expense:		
Brokerage and commission fees	(861.884)	(1.415.328)
Depository services	(1.190.484)	(814.568)
ADR insurance fees/share registration	(16.558)	(147.340)
Other trading expenses	(623.755)	(613.284)
Total fee and commission expense	<u>(2.692.681)</u> =====	<u>(2.990.520)</u> =====

10 Provision for impairment of financial assets

	US\$
Provision for balances due under repurchase/reverse repurchase agreements	7.299.303
Provision for other receivables (Note 18)	575.437
	<u>7.874.740</u> =====

11 Tax

	2008 US\$	2007 US\$
Current tax:		
Withholding tax suffered on dividend income	4.761.948	4.613.262
Withholding tax suffered on interest income	25.799	86.131
Other withholding taxes	-	1.194.000
Defence contribution	542.468	23.481
Corporation tax	359.012	2.473.213
	<u>5.689.227</u> =====	<u>8.390.087</u> =====

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

Reserve Invest (Cyprus) Limited

11 Tax (continued)

	2008 US\$	2007 US\$
(Loss)/profit before tax	(421,527,099)	51,479,680
	=====	=====
Tax calculated at the applicable tax rates	(42,152,710)	5,147,968
Tax effect of expenses not deductible for tax purposes	45,242,828	4,098,095
Tax effect of allowances and income not subject to tax	(3,883,020)	(6,772,850)
Tax effect of losses carried forward	792,902	-
Russian withholding tax suffered on dividend income	4,761,948	4,613,262
Withholding tax on interest income	25,799	86,131
Other withholding taxes	-	1,194,000
Corporation tax – previous years	359,012	-
Defence contribution	542,468	23,481
	-----	-----
Tax charge	5,689,227	8,390,087
	=====	=====

The Company is subject to corporation tax on its taxable profits at the rate of 10%. The profits from the sale of securities (shares, bonds, debentures and other securities of companies incorporated in Cyprus or abroad and options thereon) are exempt from corporation tax. The withholding tax suffered on dividend income represents foreign tax deducted on dividends received from Russian equities at rates of 5%, 10% and 15%.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of approximately 15%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

Reserve Invest (Cyprus) Limited

12 Property, plant and equipment

	Motor vehicles US\$	Furniture, fixtures, and office equipment US\$	Computer hardware US\$	Total US\$
At 1 January 2007				
Cost	94.908	180.326	66.326	341.560
Accumulated depreciation	(65.326)	(48.503)	(12.777)	(126.606)
Net book amount	29.582	131.823	53.549	214.954
Year ended 31 December 2007				
Opening net book amount	29.582	131.823	53.549	214.954
Additions	93.558	143.740	34.247	271.545
Depreciation charge (Note 5)	(26.019)	(30.078)	(12.663)	(68.760)
Closing net book amount	97.121	245.485	75.133	417.739
At 31 December 2007				
Cost	188.466	324.066	100.573	613.105
Accumulated depreciation	(91.345)	(78.581)	(25.440)	(195.366)
Net book amount	97.121	245.485	75.133	417.739
Year ended 31 December 2008				
Opening net book amount	97.121	245.485	75.133	417.739
Additions	0	8.051	49.932	57.983
Write-offs	(56.363)	0	0	(56.363)
Depreciation charge (Note 5)	(32.907)	(33.092)	(19.691)	(85.690)
Closing net book amount	7.851	220.444	105.374	333.669
At 31 December 2008				
Cost	132.103	332.117	150.505	614.725
Accumulated depreciation	(67.889)	(111.673)	(45.131)	(224.693)
Net book amount	64.214	220.444	105.374	390.032

13 Available-for-sale financial assets

	2008 US\$	2007 US\$
Non-current		
Opening net book amount	11.358.271	28.587.520
Additions	3.118.467	966.180
Disposals	(4.084.647)	(19.195.629)
Fair value gains on disposal (Note 24)	(127.810)	(2.040.814)
Fair value gains (Note 24)	(2.773.062)	3.041.014
Closing net book amount	7.491.219	11.358.271

These investments are in the financial services industry sector and are not part of the long-term strategy of the Company. The financial assets available-for-sale as at 31 December 2008 are:

Reserve Invest (Cyprus) Limited

13 Available-for-sale financial assets (continued)

Name	Nature of business	Country of registration	% of shares held	2008 US\$	2007 US\$
ZPIF "Financial Partner"	Investment Fund	Russia	18	7.491.219	10.264.281
ZPIF "Stroitelny Kompleks"	Investment Fund	Russia	0/4,8	-	1.093.990
				7.491.219	11.358.271

ZPIF "Financial Partner" (the Fund) is an investment fund with a share capital of RUB 1 billion and was set up on 30 June 2006. The Fund is managed by Management Company OOO "Management Kapital PIF" for a period up to 26 April 2011. Early redemption is possible following the unanimous resolutions of the shareholders. The principal assets of the Fund are investment properties in Russian Federation. The assets of the Fund are to be revalued at least once a year based on the opinion of independent valuers. An annual management commission of 1,18% of the Net Assets Value of the Fund is payable to the Management Company and a commission of 0,59% of the Net Assets Value is payable to the Custodian, Registrar and Evaluators of the Fund.

At 31 December 2008, the investment was revalued based on the NAV report received by the Fund's Management Company.

During the year ended 31 December 2007 the Company has acquired shares on ZPIF "Stroitelny Kompleks" – an investment fund managed by a related company OOO "Management Company Kapital PIF".

On 25 April 2008 the Company acquired 66 065 shares in ZPIF "Stroitelny Kompleks" for RUB 73.094.057 (USD 3.118.467).

In November 2008, the Company received a total consideration of RUB 92.476.852 (USD 3.371.008) on termination of ZPIF "Stroitelny Kompleks" and realised a loss of USD 713.638.

ZPIF "Financial partner" is controlled by Reserve Invest Holding (Cyprus) Limited and the Company has used the exemption offered by IAS27 "Consolidated and Separate Financial Statements", paragraph 10 and not prepared consolidated financial statements. Preparation of consolidated financial statements was not required due to the availability of consolidated financial statements of Reserve Invest Holding (Cyprus) Limited, into which the results and financial position of the Company are consolidated. This is also in compliance with the Companies Law, Cap. 113.

14 Loans and receivables

	2008 US\$	2007 US\$
Non-current		
Loans receivable from third parties (Note 15)	20.000.000	20.000.000
Loans receivable from related parties (Note 31(d))	150.000.000	150.000.000
Promissory notes (Note 19)	15.083.633	20.309.851
	185.083.633	190.309.851

Reserve Invest (Cyprus) Limited

14 Loans and receivables (continued)

Current

Trade and other receivables (Note 18)	115.664.186	51.985.570
Loans receivable from third parties (Note 15)	1.793.236	2.181.592
Loans receivable from related parties (Note 31(d))	41.618	11.013.067
Promissory notes (Note 19)	6.290.088	16.916.676
Deposits with banks	-	7.000.000
Reverse repurchase agreements with third parties (Note 20)	4.604.770	112.801.865
Reverse repurchase agreements with related parties (Note 31(g))	-	225.015.400
	128.393.898	426.914.170
	=====	=====

15 Loans receivable from third parties

	2008 US\$	2007 US\$
Non-current		
Subordinated loan	20.000.000	20.000.000
Other loans	-	-
	20.000.000	20.000.000
	-----	-----
Current		
Subordinated loan	115.184	170.322
Other loans	1.678.052	2.011.270
	1.793.236	2.181.592
	-----	-----
Total loans receivable from third parties	21.793.236	22.181.592
	=====	=====

The effective interest rates on non-current loans receivable were as follows:

	2008 US\$	2007 US\$
Subordinated loan	8%	9%
Other loans	6,32%	6,32%

The current loan receivable from third parties is in Russian Roubles and it is repayable in December 2009.

The Company entered into a subordinated loan agreement with JSCB "Promsvyazbank" in May 2006. The loan is in US dollars, bears interest at the rate of LIBOR+5,125% per annum which is fixed on the preceding business day of every month and the accrued interest is payable monthly. The principal is repayable on 1 December 2011.

Reserve Invest (Cyprus) Limited

16 Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss are analysed as follows:

	2008 US\$	2007 US\$
OAo Lukoil Oil Company shares	17.498.040	111.088.517
OAo Lukoil Oil Company ADR's	93.366.687	319.097.116
Other corporate shares	44.018.776	91.124.676
Russian corporate bonds	2.985.686	12.679.202
Eurobonds	21.952.637	5.912.995
Derivative financial instruments	8.526.422	13.193.082
	188.348.248	553.095.588
	=====	=====
	2008 US\$	2007 US\$
Derivative financial instruments:		
Non-deliverable forex transactions	-	157.575
FORTS variation margin on open positions	-	23.600
FORTS shares futures long position	8.526.422	-
Equity collar	-	13.011.907
	8.526.422	13.193.082
	=====	=====

Other corporate shares represent securities by various issuers which are traded in active markets.

Russian Corporate Bonds are securities issued by various Russian Corporations and traded at Moscow Interbank Stock Exchange. They are denominated in Russian Roubles, have maturity dates ranging from 2009 to 2013 and coupon rates of approximately 7,2% - 13,8%.

Eurobonds are bonds denominated in US\$ issued by international governments and corporations and are freely tradable internationally. These bonds have maturity dates ranging from 2010 to 2018 and coupon rates of approximately 6,75% - 10,75%.

FORTS shares futures are RTS-traded futures on Russian blue chip shares.

Equity collars are financial instruments developed between the Company and counterparties with the main objective the funding of the Company.

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital.

In the income statement, changes in fair values of financial assets at fair value through profit or loss are recorded in net gains on financial assets at fair value through profit or loss.

Reserve Invest (Cyprus) Limited

16 Financial assets at fair value through profit or loss (continued)

The net losses/gain on financial assets and financial liabilities at fair value through profit or loss income is as follows:

	2008 US\$	2007 US\$
(Losses)/gains recognised in relation to shares, ADRs and bonds at fair value through profit or loss	(394.541.003)	31.212.461
Losses recognised in relation to derivatives at fair value through profit or loss	(26.423.014)	(2.118.392)
Total net losses	<u>(420.964.017)</u>	<u>29.094.069</u>

17 Pledged assets

Assets are pledged as collateral under repurchase agreements.

	Asset		Related liability	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
OAo Lukoil Oil Company shares	8.548.556	27.293.500	6.581.839	225.582.116
OAo Lukoil Oil Company ADR	573.192.937	1.236.001.441	243.223.295	809.464.092
Other equities	10.603.656	3.433.546	12.338.534	28.783.948
Eurobonds	-	22.463.419	-	48.797.565
	<u>592.345.149</u>	<u>1.289.191.906</u>	<u>262.143.668</u>	<u>1.112.627.721</u>

The liabilities under repurchase agreements are presented net of cash margin calls.

The fair value of shares collateralised under repurchase agreements amounted to US\$593million (2007 : US\$1.579 million). Out of this amount shares of fair value of US\$693 thousand (2007: US\$315 million) was obtained from reverse repurchase agreements.

18 Trade and other receivables

	2008 US\$	2007 US\$
Trade receivables – third parties	3.594.970	2.974.991
Trade receivables – related parties (Note 31(c))	99.258.901	30.771.269
Amounts due from related parties (Note 31(f))	-	249.137
Dividend receivable from third parties	2.677.470	2.913.646
Collateral accounts	1.024.275	5.723.579
Accounts with brokers	9.406.047	8.212.843
Other debtors and prepayments	277.960	1.140.105
Provision for impairment	(575.437)	-
	<u>115.664.186</u>	<u>51.985.570</u>

Reserve Invest (Cyprus) Limited

18 Trade and other receivables (continued)

Provision for impairment is analysed as follows:

	2008 US\$	2007 US\$
Provision for dividend receivable from third parties	496.687	-
Provision for coupon receivable	78.750	-
	<u>575.437</u>	<u>-</u>
	=====	=====

The provision above represents specific provision accrued on 100% of the outstanding amounts.

Trade receivables represent receivables in respect of trading in shares, bonds and derivatives. The fair value of receivables net of provisions does not differ significantly from its carrying amount.

19 Promissory notes

	2008 US\$	2007 US\$
At beginning of year	37.226.527	52.553.328
Additions	15.597.568	30.633.759
Disposals/redemptions	(30.226.700)	(53.027.333)
Accrued interest	3.113.060	5.598.806
Foreign exchange difference	(4.336.734)	1.467.967
At end of year	<u>21.373.721</u>	<u>37.226.527</u>
	=====	=====

	2008 US\$	2007 US\$
Non-current portion	15.083.633	20.309.851
Current portion	6.290.088	16.916.676
	<u>21.373.721</u>	<u>37.226.527</u>
	=====	=====

Promissory notes represent promissory notes issued by Russian banks and companies which bear fixed interest rates and have maturities from March 2009 to March 2010 (31 December 2007: from February 2008 to December 2010) and are unsecured.

20 Reverse repurchase agreements with third parties

The fair value of assets received as collateral under reverse repurchase agreements with third parties amount to US\$4,6 million (2007: 31 December US\$181 million).

The fair value of shares collateralised under repurchase agreements amounted to US\$593 million (2007 : US\$1.579 million). Out of this amount shares of fair value of US\$693 thousand (2007: US\$315 million) were obtained from reverse repurchase agreements.

Reserve Invest (Cyprus) Limited

21 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2008 US\$	2007 US\$
Cash at bank	119,161,103	32,941,168
Bank overdraft	(4,654)	-
	<u>119,156,449</u>	<u>32,941,168</u>
	=====	=====

22 Share capital

	2008			2007		
	Number of shares	EUR	US\$	Number of shares	C£	US\$
Authorised						
At 1 January and 31 December	1 000 000	1,710,000		1,000,000	1,000,000	
	=====	=====		=====	=====	
Issued and fully paid						
At 1 January	750 000	1,281,451	1,722,222	750 000	1,281,451	1,722,222
Increase on conversion to EUR on 1 January 2008	-	1,049	1,544	-	-	-
Additional issue	50 000	50,000	108,987	-	-	-
	<u>800 000</u>	<u>1,332,500</u>	<u>1,832,753</u>	<u>750 000</u>	<u>1,282,500</u>	<u>1,723,766</u>
	=====	=====	=====	=====	=====	=====

With the introduction of the euro as the official currency of the Republic of Cyprus as from 1 January 2008 the share capital of the Company was converted from Cyprus pounds to euro. 750 000 issued and fully paid shares of C£1 each were converted to 750 000 shares of EUR1,71 each. As a result of the rounding of the nominal value upon conversion to euro the shares capital increase amounted to EUR 1,048,92 (USD 1,543,89) via capitalisation of reserves.

On 12 November 2006 the Board of Directors authorised the issue of 50 000 shares of EUR1,71 each at a total consideration of US\$325,365,000. The share premium resulting from this share issue amounted to US\$325,256,013 (Note 23). The consideration for the increase of share capital was paid via set-off with the equivalent amount of dividend (Note 28).

23 Share premium

	US\$
As at 31 December 2007 and 1 January 2008	412,066,959
Additional issue (Note 22)	325,256,013
	<u>737,322,972</u>
At 31 December 2008	=====

Reserve Invest (Cyprus) Limited

24 Fair value reserve

	US\$
As at 1 January 2007	2.747.250
Fair value losses on disposal (Note 13)	(2.040.814)
Fair value gain on available for sale investment (Note 13)	3.041.014
	<hr/>
At 31 December 2007/1 January 2008	3.747.450
	<hr/>
Fair value loss on disposal (Note 13)	(127.810)
Fair value loss on available for sale investment (Note 13)	(2.773.062)
	<hr/>
At 31 December 2008	846.578
	=====

25 Trade and other payables

	2007 US\$	2007 US\$
Trade payables – third parties	8.526.422	3.755.577
Trade payables – related parties (Note 31(c))	-	7.480.110
Other amounts due to related parties (Note 31(f))	382.240	395.299
Other creditors and accrued expenses	1.859.078	2.498.770
	<hr/>	<hr/>
	10.767.740	14.129.756
	=====	=====

26 Financial liabilities at fair value through profit or loss

	2008 US\$	2007 US\$
Held for trading:		
- derivatives	4.705.191	-
- listed bonds sold short	3.181.607	5.373.438
	<hr/>	<hr/>
Total financial liabilities at fair value through profit or loss	7.886.798	5.373.438
	=====	=====

	2008 US\$	2007 US\$
Derivatives:		
Non deliverable forex transactions	1.302.887	-
FORTS – shares futures short positions	192.725	-
FORTS - shares options short positions	3.209.579	-
	<hr/>	<hr/>
Total financial liabilities at fair value through profit or loss	4.705.191	-
	=====	=====

Reserve Invest (Cyprus) Limited

26 Financial liabilities at fair value through profit or loss (continued)

Non-deliverable forex forward contracts (NDF)

A non-deliverable forex forward contract is a short-term forward contract where the gain/loss at a set future date is calculated as a difference between the agreed upon the exchange rate and the spot rate at the fixing date for an agreed upon notional amount of funds. The contracts are marked to market using the implied forward rate by calculating the actual number of days remaining to the maturity of the NDF contract as measured against the actual market price displayed by respective market makers in the trading systems and are presented on a net basis in the balance sheet.

Transactions with derivatives on FORTS (Futures and Options on RTS)

During 2008 the Company traded in single stock futures and options, futures and options on RTS indices and currency options. The balance sheet figures represent the open positions in the respective instruments as at the balance sheet date and are valued with reference to the FORTS prices.

27 Borrowings

	2008 US\$	2007 US\$
Current		
Borrowings from related party (Note 31(e))	31.166.230	-
	=====	=====

28 Dividends per share

On 31 July 2008 the Board of Directors resolved to pay an interim dividend of US\$17.952.196 for the year 2006. The dividend was settled in cash via transfer of RUB 420.900.000. On 11 August 2008 the Board of Directors resolved to pay an interim dividend of US\$8.711.094 for the year 2006. The dividend was settled in cash via transfer of RUB 208.005.256. On 15 August 2008 the Board of Directors resolved to pay an interim dividend of US\$5.637.935 for the year 2006. The dividend was settled in cash via transfer of RUB 136.946.000. On 12 November 2008 the Board of Directors resolved to pay an interim dividend of US\$325.365.000 for the year 2006. The dividend was paid via set-off with the consideration due from the shareholder for the increase of share capital (Note 22).

29 Fiduciary activities

The Company provides asset management, brokerage, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Company had brokerage accounts amounting to US\$47.129.932 (31 December 2007: US\$252.047.425) and funds transferred under asset management estimated to be approximately US\$83.808.680 (31 December 2007: US\$110.427.332). At the balance sheet date the market value of asset management portfolios amounted to US\$71.969.246 (31 December 2007: US\$134.336.270).

Reserve Invest (Cyprus) Limited

30 Contingent liabilities and operating risks

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

(b) **Tax legislation.** There are transactions and calculations for which the ultimate tax determination may be uncertain based on the current Tax Legislation. The Company recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due as a result of different interpretations of the Tax Legislation. Where the final tax outcome, based on the results of tax audits, of the matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Note 4 (a)(i)).

(c) **Off balance sheet risk.** In the normal course of business, the Company enters into agreements to manage funds of clients in accordance with the criteria established by the client. As a common practice, according to those agreements, the Company has no potential liability in respect of any losses and damage suffered by the clients as the result of common risks of investing and owning of the securities, except if resulting from gross negligence or willful default of the Company.

However in a few asset management agreements the Company guaranteed to its clients the return of the client's funds transferred under such agreements and/or the receipt of the guaranteed rate of return. The maximum potential financial risk arising out of such agreements executed by the Company as at 31 December 2008 does not exceed the amount equal to US\$16.638.384 (31 December 2007: US\$26.002.798).

(d) Operating environment of the Company

The Russian Federation: The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. As a result of, among other factors, global volatility in financial and commodity markets, there has been a significant decline in the Russian stock market which forced the Central Bank of the Russian Federation to intervene in the currency market. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Company.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Reserve Invest (Cyprus) Limited

30 Contingent liabilities and operating risks (continued)

(d) Operating environment of the Company (continued)

Recent volatility in global financial markets: The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial market have also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The debtors or borrowers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. The uncertainty in the global markets combined with other local factors has during 2008 led to very high volatility in the Russian stock markets and at times much higher than normal interbank lending rates. 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.

31 Related party transactions

The Company is wholly owned by Reserve Invest Holding (Cyprus) Limited, a company also incorporated in Cyprus. The holding company, Reserve Invest Holding (Cyprus) Limited and its subsidiaries conduct mutual business and have common management with IFD Kapital Group, a group registered in the Russian Federation.

Transactions are entered into in the normal course of business with directors and other related parties including companies related to Lukoil and IFD Kapital Group. Lukoil is treated as a related party for the Company as certain members of the Lukoil Board of Directors and Management Board are also members of the Board of Directors of IFD Kapital Group.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the year ended 31 December 2008 and the year 2007, a number of transactions were entered into with related parties. Certain of these transactions, particularly where a broad market does not exist, were consummated at terms agreed to between the parties. Shares and ADR's in OAO Lukoil Oil Company are disclosed in Notes 16 and 17 to the financial statements. Balances and transactions with Reserve Invest Holding (Cyprus) Limited and its subsidiaries, IFD Kapital Group and other related parties are as follows:

Reserve Invest (Cyprus) Limited

31 Related party transactions (continued)

(a) Trading transactions

	2008 US\$	2007 US\$
Purchases of financial assets:		
- shares:		
Holding company	769,552,313	61,038,617
Fellow subsidiary	869,781,019	22,812,531
Other common control group companies	643,645,770	653,138,987
Other related party	-	21,865,564
	<u>2,282,979,102</u>	<u>758,855,699</u>
- bonds:		
Other common control group companies	38,846,669	7,004,250
	<u>2,321,825,771</u>	<u>765,859,949</u>
	=====	=====
	2008	2007
	US\$	US\$
Sales of financial assets:		
- shares:		
Holding company	1,114,544,804	223,274,770
Fellow subsidiary	1,179,414,348	4,934,500
Other common control group companies	779,239,922	601,093,160
Other related party	2,217,644	22,667,583
	<u>3,075,416,718</u>	<u>851,970,013</u>
- bonds:		
Other common control group companies	49,113,940	1,184,500
	<u>3,124,530,658</u>	<u>853,154,513</u>
	=====	=====

(b) Other transactions

	2008 US\$	2007 US\$
Reserve Invest Holding (Cyprus) Limited Group		
Interest expense	-	(1,636,413)
Interest income	11,285,726	14,054,776
Asset management fees	154,742	287,356
Profit on disposal of available-for-sale financial assets	-	2,563,388
	<u>11,440,468</u>	<u>15,269,107</u>
Other common control group companies		
Commission and brokerage expenses	(500,186)	(893,865)
Interest income	852,213	430,886
Interest expense	(2,354,438)	(166,818)
Advisory services fees expense	-	(50,000)
Other services expense	-	(15,000)
	<u>(2,002,411)</u>	<u>(694,797)</u>
	=====	=====

Reserve Invest (Cyprus) Limited

31 Related party transactions (continued)

(c) Balances arising from trading activities

	2008 US\$	2007 US\$
Trade payables:		
Holding company	-	1,585,695
Other common control group companies	-	5,894,415
	<u>-</u>	<u>7,480,110</u>
	=====	=====
Trade receivables:		
Holding company	19,301,445	-
Fellow subsidiary companies	40,102,076	
Other common control group companies	39,855,380	30,771,269
	<u>99,258,901</u>	<u>30,771,269</u>
	=====	=====

(d) Loans receivable from related parties

	2008 US\$	2007 US\$
Loan receivable from other common control group companies	-	7,523,130
Loan receivable from fellow subsidiary companies	150,041,618	153,489,937
	<u>150,041,618</u>	<u>161,013,067</u>
Less: current loans receivable from fellow subsidiary	(41,618)	(11,013,067)
	<u>150,000,000</u>	<u>150,000,000</u>
	=====	=====

Included in the loans receivable from fellow subsidiaries is a subordinated loan of US\$150,000,000 and accrued interest thereto of US\$41,618 (31 December 2007: US\$ 3,489,937) to OJSC Petrocommercebank (a related bank). The loan is US Dollar loan payable on 9 November 2016. It bears interest of LIBOR + 4%. The interest on loan is repayable quarterly.

(e) Borrowings from related parties

	2008 US\$	2007 US\$
Current		
Borrowings from:		
Other common control group companies	31,166,230	-
	<u>31,166,230</u>	<u>-</u>
	=====	=====

The loans from a common control group company are a United States Dollar loans, are unsecured and bear interest at the rates of 12,4% and 15,7% per annum and are payable in March 2009. The carrying amounts of the loans approximated to their fair value.

Reserve Invest (Cyprus) Limited

31 Related party transactions (continued)

(f) Other balances with related parties

	2008 US\$	2007 US\$
Amounts receivable:		
Holding company:		
- asset management and brokerage commission	-	230.161
Fellow subsidiary companies:		
- financing	-	18.976
	-----	-----
	-	249.137
	=====	=====
Other common control group companies:		
- outstanding invoices for services	3.142	16.201
- financing	379.098	379.098
	-----	-----
	382.240	395.299
	=====	=====

(g) Repurchase and reverse repurchase transaction balances with related parties

	2008 US\$	2007 US\$
Reverse repurchase and securities lending transactions		
Other common control group companies	-	225.015.400
	=====	=====
Repurchase and security borrowing transactions		
Other common control group companies	-	225.051.252
	-	225.051.252
	=====	=====

(h) Directors' remuneration

The total remuneration of the Directors (included in key management compensation below) was as follows:

	2008 US\$	2007 US\$
Fees	157.901	146.068
Emoluments in their executive capacity		
- Directors fees	27.500	65.589
- Salaries (gross)	92.795	126.090
	-----	-----
	278.196	337.747
	=====	=====

During the year the Company had the following transactions with entities in which one of its Directors has significant influence:

	2008 US\$	2007 US\$
Administration fees	157.901	146.068
	=====	=====

Reserve Invest (Cyprus) Limited

31 Related party transactions (continued)

(i) Key management compensation

	2008 US\$	2007 US\$
Salaries and other short-term employee benefits	1.914.230 =====	2.468.368 =====

32 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditors' Report on pages 6 and 7.