

Reserve Invest (Cyprus) Limited

Condensed interim financial information for the half-year ended 30 June 2009

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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

Arianthi Court

2nd floor

50 Agias Zonis Street

CY-3090 Limassol

Cyprus

Independent Auditors' Report on Review of Interim Financial Information to the Board of Directors of Reserve Invest (Cyprus) Limited

Introduction

We have reviewed the accompanying condensed interim balance sheet of Reserve Invest (Cyprus) Limited as of 30 June 2009 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

Limassol, 4 August 2009

Reserve Invest (Cyprus) Limited

Condensed interim comprehensive income statement for the half-year ended 30 June 2009

	Note	Six months ended 30 June 2009 US\$	Six months ended 30 June 2008 US\$
Income			
Net gains on financial assets and financial liabilities at fair value through profit or loss	12	330.892.121	249.572.258
Interest income	4	7.748.106	16.438.863
Fee and commission income	6	254.413	694.621
Dividend income		35.995.557	36.446.626
Other income		1.974	-
Net foreign exchange (losses)/gains		(3.877.926)	4.246.120
Total income		371.014.245	307.398.488
Expenses			
Interest expense	5	(7.883.711)	(24.606.514)
Fees and commission expense	6	(990.022)	(3.353.404)
Staff costs		(790.591)	(1.383.883)
Directors' remuneration		(30.816)	(1.345)
Auditors' remuneration		(2.496)	(25.436)
Legal, professional and consultancy fees		(176.499)	(204.307)
Other expenses	3	(355.956)	(494.150)
Total expenses		(10.230.091)	(30.069.039)
Profit before tax		360.784.154	277.329.449
Tax	7	(5.334.382)	(6.088.679)
Profit for the period		355.449.772	271.240.770
Other comprehensive income:			
Fair value gains on available-for-sale financial assets	9	58.042	819.296
Total comprehensive income for the period		355.507.814	272.060.066

The notes on pages 7 to 22 form an integral part of this condensed interim financial information.

Reserve Invest (Cyprus) Limited

Condensed interim balance sheet at 30 June 2009

	Note	30 June 2009 US\$	31 December 2008 US\$
Assets			
Non-current assets			
Property, plant and equipment	8	349.482	390.032
Available-for-sale financial assets	9	7.549.261	7.491.219
Loans and receivables	10	170.000.000	185.083.633
		177.898.743	192.964.884
Current assets			
Financial assets at fair value through profit or loss	12	450.146.620	188.348.248
Pledged assets	13	679.659.389	592.345.149
Loans and receivables	10	182.401.393	128.393.898
Corporation tax receivable		815.475	815.475
Cash and cash equivalents		97.674.460	119.161.103
		1.410.697.337	1.029.063.873
Total assets		1.588.596.080	1.222.028.757
Equity and liabilities			
Capital and reserves			
Share capital		1.832.753	1.832.753
Share premium		737.322.972	737.322.972
Fair value reserve		904.620	846.578
Retained earnings		524.850.316	169.400.544
Total equity		1.264.910.661	909.402.847
Current liabilities			
Trade and other payables	16	5.844.124	10.767.740
Bank overdraft		-	4.654
Financial liabilities at fair value through profit or loss	17	13.553.884	7.886.798
Repurchase agreements	13	304.287.411	262.143.668
Current tax liabilities		-	656.820
Borrowings		-	31.166.230
Total liabilities		323.685.419	312.625.910
Total equity and liabilities		1.588.596.080	1.222.028.757

On 4 August 2009, the Board of Directors of Reserve Invest (Cyprus) Limited authorised these condensed interim financial information for issue.

Natalia Kuznetsova, Director

Costas Hadjicosti, Director

The notes on pages 7 to 22 form an integral part of this condensed interim financial information.

Reserve Invest (Cyprus) Limited

Condensed interim statement of changes in equity for the half-year ended 30 June 2009

	Share capital US\$	Share premium US\$	Fair value reserve US\$	Retained earnings ⁽¹⁾ US\$	Total equity US\$
Balance 1 January 2008	1.722.222	412.066.959	3.747.450	954.284.639	1.371.821.270
Available-for-sale financial assets:					
Fair value gains	-	-	819.296	-	819.296
Net gains recognised directly in equity	-	-	819.296	-	819.296
Net profit for the six months ended 30 June 2008	-	-	-	271.240.770	271.240.770
Total recognised gains for the six months ended 30 June 2008	-	-	819.296	271.240.770	272.060.066
Balance at 30 June 2008	1.722.222	412.066.959	4.566.746	1.225.525.409	1.643.881.336
Available-for-sale financial assets:					
Transfer to income statement due to disposal	-	-	(127.810)	-	(127.810)
Fair value loss	-	-	(3.592.358)	-	(3.592.358)
Net loss recognised directly in equity	-	-	(3.720.168)	-	(3.720.168)
Net loss for the six months ended 31 December 2008	-	-	-	(698.457.096)	(698.457.096)
Total recognised loss for the six months ended 31 December 2008	-	-	(3.720.168)	(698.457.096)	(702.177.264)
Additional issue of shares	108.987	325.256.013	-	-	325.365.000
Capitalisation of reserves on conversion of share capital to EUR	1.544	-	-	(1.544)	-
Dividends declared	-	-	-	(357.666.225)	(357.666.225)
Balance at 31 December 2008/ 1 January 2009	1.832.753	737.322.972	846.578	169.400.544	909.402.847
Available-for-sale financial assets:					
Fair value gains	-	-	58.042	-	58.042
Net loss recognised directly in equity	-	-	-	-	-
Net gains for the six months ended 30 June 2009	-	-	-	355.449.772	355.449.772
Total recognised gains for the six months ended 30 June 2009	-	-	58.042	355.449.772	355.507.814
Balance at 30 June 2009	1.832.753	737.322.972	904.620	524.850.316	1.264.910.661

(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 7 to 22 form an integral part of this condensed interim financial information.

Reserve Invest (Cyprus) Limited

Condensed interim cash flow statement for the half-year ended 30 June 2009

	Note	Six months ended 30 June 2009 US\$	Six months ended 30 June 2008 US\$
Cash flows from operating activities			
Net profit for the half year before tax		360.784.154	277.329.449
Adjustments for:			
Depreciation of property, plant and equipment	8	40.750	42.861
Net gains on financial assets and financial liabilities at fair value through profit or loss	12	(330.892.121)	(249.572.258)
Dividend income		(35.995.557)	(36.446.626)
Interest income	4	(7.748.106)	(16.438.863)
Interest expense	5	7.883.711	24.606.514
Dividend received		1.786.573	2.507.942
Interest received		4.924.107	19.249.032
		783.511	21.278.051
Changes in working capital:			
Trade and other receivables		(7.736.989)	(223.157.366)
Reverse repurchase agreements		(11.701.814)	158.438.629
Financial assets at fair value through profit or loss		69.093.749	258.334.953
Pledged assets		(87.314.240)	(321.755.547)
Promissory notes		12.285.483	10.626.930
Financial liabilities at fair value through profit or loss		5.667.086	25.447.204
Trade and other payables		(4.923.616)	176.436.534
Repurchase agreements		37.649.879	(56.181.241)
Fixed deposits with banks		-	(21.265.650)
Cash generated from operating activities		13.803.049	28.202.497
Tax paid		(859.854)	-
Net cash generated from operating activities		12.943.195	28.202.497
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(200)	(50.985)
Loans given to related parties		-	(10.000.000)
Repayments of loans by third parties		131.093	-
Acquisition of available for sale financial asset	9	-	(3.118.467)
Net cash generated from/(used in) investing activities		130.893	(13.169.452)
Cash flows from financing activities			
Receipts from borrowings		-	100.000.000
Repayment of borrowings		(31.166.230)	(100.000.000)
Interest paid		(3.389.847)	(24.606.514)
Net cash used in financing activities		(34.556.077)	(24.606.514)
Net decrease in cash and cash equivalents		(21.481.989)	(9.573.469)
Cash and cash equivalents at beginning of period		119.156.449	32.941.168
Cash and cash equivalents at end of period		97.674.460	23.367.699

The notes on pages 7 to 22 form an integral part of this condensed interim financial information.

Reserve Invest (Cyprus) Limited

Selected notes to the condensed interim financial statements for the six months ended 30 June 2009

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. Its registered office is at Arianthi Court, 2nd floor, 50 Agias Zonis Street, CY-3090 Limassol, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year/period, 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 (holding company) 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 condensed interim financial statements unless otherwise stated.

Basis of preparation

This condensed interim financial information for the half year ended 30 June 2009 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008 except as stated further below.

The following standard is mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present a single statement of comprehensive income. The interim condensed financial statements have been prepared under the revised disclosure requirements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant to the Company:

- IAS 23 (amendment), 'Borrowing costs'.
- IFRS 2 (amendment), 'Share-based payment'.
- IFRS 8, 'Operating segments'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'..

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" on "Eligible Hedged Items"
- IFRS 3 (Revised), "Business Combinations"
- IAS 27 (Revised), "Consolidated and Separate Financial Statements"
- IAS 39, "Financial instruments Recognition and Measurement"
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'.

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.

Reserve Invest (Cyprus) Limited

2 Summary of significant accounting policies (continued)

Comparatives

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

3 Other expenses

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Depreciation of property, plant and equipment (Note 8)	40.750	42.861
Rent	47.221	68.438
Telephone, faxes and communication costs	59.675	147.490
Bank charges	67.065	24.010
Travel and accommodation expenses	3.875	18.282
Office supplies and maintenance expenses	13.234	21.555
Other sundry expenses	39.416	88.178
Non-recoverable VAT	75.720	73.277
Car expenses	9.000	10.059
Total other expenses	355.956	494.150

4 Interest income

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Interest income on loans	54	275.175
Interest income on subordinated loan agreements	4.509.501	6.577.070
Interest income on promissory notes	662.708	1.784.530
Interest income on bonds	2.121.840	2.746.827
Interest income on reverse repurchase and securities lending agreements	308.494	4.536.509
Interest income on accounts with brokers	133.918	119.570
Interest income on bank deposits	-	377.762
Interest income on overnight bank accounts	11.591	21.420
	7.748.106	16.438.863

Reserve Invest (Cyprus) Limited

5 Interest expense

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Interest expense on loans	161.671	1.065.367
Interest expense on repurchase and securities borrowing agreements	7.722.040	23.541.147
	<u>7.883.711</u>	<u>24.606.514</u>
	=====	=====

6 Fee and commission income and expense

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Fee and commission income:		
Asset management fees	70.982	583.373
Brokerage fees	183.431	100.728
Other	-	10.520
Total fee and commission income	<u>254.413</u>	<u>694.621</u>
	=====	=====
Fee and commission expense:		
Brokerage and commission fees	(230.561)	(280.490)
Depository services	(196.621)	(324.911)
Agency fees and deductions on dividend income	(430.965)	(2.522.300)
Other trading expenses	(131.875)	(225.703)
Total fee and commission expense	<u>(990.022)</u>	<u>(3.353.404)</u>
	=====	=====

7 Tax

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Current tax:		
Withholding tax suffered on dividend income	5.299.035	5.382.914
Withholding tax suffered on interest income	3.559	24.772
Other withholding tax	31.788	-
Corporation tax	-	680.993
	<u>5.334.382</u>	<u>6.088.679</u>
	=====	=====

Reserve Invest (Cyprus) Limited

8 Property, plant and equipment

	US\$
	US\$
Net book value at 1 January 2008	417.739
Additions	50.985
Depreciation	(42.861)
Net book value at 30 June 2008	425.863
Additions	6.998
Depreciation	(42.829)
Net book value at 31 December 2008 and 1 January 2009	390.032
Additions	200
Depreciation	(40.750)
Net book value at 30 June 2009	349.482
	=====

9 Available-for-sale financial assets

The Company's investments are in the financial services industry and are not part of the long-term strategy of the Company. The financial asset available-for-sale as at 30 June 2009 is:

Name	Nature of business	Country of registration	% of shares held	30 June 2009 US\$	31 December 2008 US\$
ZPIF "Financial Partner"	Investment Fund	Russia	18%	7.549.261 =====	7.491.219 =====

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 a related management company OOO "Management Kapital PIF" for a period up to 26 April 2011. The principal assets of the Fund are investment properties in Russian Federation. The assets of the Fund are revalued monthly based on the NAV report provided by the Fund's management company.

Reserve Invest (Cyprus) Limited

10 Loans and receivables

	30 June 2009 US\$	31 December 2008 US\$
Non-current		
Loans receivables from third parties (Note 11)	20.000.000	20.000.000
Loans receivable from related parties (Note 20(d))	150.000.000	150.000.000
Promissory notes	-	15.083.633
	170.000.000	185.083.633
Current		
Trade and other receivables (Note 14)	152.478.811	115.664.186
Loans receivable from third parties (Note 11)	1.662.143	1.793.236
Loans receivable from related parties (Note 20(d))	-	41.618
Promissory notes	11.953.855	6.290.088
Reverse repurchase agreements with third parties (Note 15)	16.306.584	4.604.770
	182.401.393	128.393.898
Total loans and receivables	352.401.393	313.477.531

11 Loans receivable from third parties

	30 June 2009 US\$	31 December 2008 US\$
Non-current		
Subordinated loan	20.000.000	20.000.000
Current		
Subordinated loan	86.464	115.184
Other loans	1.575.679	1.678.052
	1.662.143	1.793.236
Total loans receivable from third parties	21.662.143	21.793.236

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

The Company entered into a subordinated loan agreement with JSCB “Promsvyazbank” in May 2006. The loan is denominated 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

12 Financial assets at fair value through profit or loss

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

	30 June 2009 US\$	31 December 2008 US\$
OAo Lukoil Oil Company shares	95.292.731	17.498.040
OAo Lukoil Oil Company ADR's	228.562.424	93.366.687
Other Corporate shares	51.294.766	44.018.776
Russian Corporate Bonds	3.261.772	2.985.686
Other Eurobonds	71.734.927	21.952.637
Derivative financial instruments	-	8.526.422
	450.146.620	188.348.248
	=====	=====
	30 June 2009 US\$	31 December 2008 US\$
Derivatives:		
-FORTS – equity futures	-	8.526.422
	=====	=====

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

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Gains recognised in relation to shares, ADRs and bonds at fair value through profit or loss	320.453.382	252.023.568
Gains/(losses) recognised in relation to derivatives at fair value through profit or loss	10.438.739	(2.451.310)
Total net gains/(losses)	330.892.121	249.572.258
	=====	=====

Reserve Invest (Cyprus) Limited

13 Pledged assets

Assets are pledged as collateral under repurchase agreements.

	Asset		Related liability	
	30 June 2009 US\$	31 December 2008 US\$	30 June 2009 US\$	31 December 2008 US\$
OAo Lukoil Oil Company shares	2.109.288	8.548.556	2.827.807	6.581.839
OAo Lukoil Oil Company ADR	595.649.176	573.192.937	295.704.571	243.223.295
Other equities	8.235.645	10.603.656	5.755.033	12.338.534
	605.994.109	592.345.149	304.287.411	262.143.668
OAo Lukoil Oil Company ADR posted as collateral under written OTC call options	73.665.280	-		
	679.659.389	592.345.149		

The fair value of shares collateralised under repurchase agreements amounted to US\$608 million (31 December 2008: US\$593 million). Out of this amount, shares with a fair value of US\$2 million (31 December 2008: US\$693 thousand) were obtained from reverse repurchase agreements.

14 Trade and other receivables

	30 June 2009 US\$	31 December 2008 US\$
Trade receivables – third parties	3.159.629	3.594.970
Trade receivables – related parties (Note 20(c))	13.156.462	99.258.901
Amounts due from related parties (Note 20(f))	180.807	-
Dividend receivable from third parties	29.910.785	2.677.470
Collateral accounts	101.266.223	1.024.275
Accounts with brokers	4.616.555	9.406.047
Other debtors and prepayments	188.350	277.960
Provision for impairment	-	(575.437)
	152.478.811	115.664.186

15 Reverse repurchase agreements

The fair value of assets received as collateral under reverse repurchase agreements amount to US\$16 million (31 December 2008: US\$5 million).

Reserve Invest (Cyprus) Limited

16 Trade and other payables

	30 June 2009 US\$	31 December 2008 US\$
Trade payables – third parties	-	8.526.422
Trade payables – related parties (Note 20(c))	4.505.303	-
Other amounts due to related parties (Note 20(f))	387.183	382.240
Other creditors and accrued expenses	951.638	1.859.078
	<u>5.844.124</u>	<u>10.767.740</u>
	=====	=====

17 Financial liabilities at fair value through profit or loss

	30 June 2009 US\$	31 December 2008 US\$
Held for trading:		
- derivatives (see table below)	9.719.750	4.705.191
- listed bonds sold short	3.834.134	3.181.607
Total financial liabilities at fair value through profit or loss	<u>13.553.884</u>	<u>7.886.798</u>
	=====	=====

	30 June 2009 US\$	31 December 2008 US\$
Derivatives:		
FORTS - equity options	152.671	3.209.579
FORTS - equity futures	-	192.725
Written OTC equity options	9.567.079	-
Non-deliverable forex transactions	-	1.302.887
	<u>9.719.750</u>	<u>4.705.191</u>
	=====	=====

18 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\$510m (31 December 2008: US\$47m) and funds transferred under asset management estimated to be approximately US\$36m (31 December 2008: US\$84m). At the balance sheet date the market value of asset management portfolios amounted to US\$26m (31 December 2008: US\$72m).

Reserve Invest (Cyprus) Limited

19 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 non-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

(b) Legal proceedings with counterparties

The Company submitted a claim against Lehman Brothers International Europe ("LBIE") to PricewaterhouseCoopers LLC which was appointed by High Court of Justice in London as joint administrator of LBIE in connection with the bankruptcy case initiated in respect of LBIE. The claim is based on a failure of LBIE to settle two repurchase transactions and to return accrued dividends and coupon interest. The total amount of claim is 2.2 million US Dollars. The amount was fully provided for in the year ended 31 December 2008.

(c) 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.

(d) Off balance sheet risk

In the normal course of business, the Company enters into agreements to manage funds of clients in accordance with criteria established by the clients. As a common practice, according to these agreements, the Company has no potential liability in respect of any possible losses and damages suffered by the clients as a result of common risks of investing and owning of securities, except if resulting from gross negligence or willful default by the Company.

However, in a few asset management agreements the Company has guaranteed to its clients the return of the clients' funds transferred under such agreements and/or the receipt of a guaranteed rate of return. The maximum potential financial risk arising out of such agreements executed by the Company as at 30 June 2009 does not exceed the amount of US\$14.417.334 (31 December 2008: US\$16.638.384).

Reserve Invest (Cyprus) Limited

19 Contingent liabilities and operating risks (continued)

(e) 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.

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 and 2009 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.

Reserve Invest (Cyprus) Limited

20 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 six month periods ended 30 June 2009 and 30 June 2008, a number of transactions were entered into with related parties.

Shares and ADR's in OAO Lukoil Oil Company are disclosed in Notes 12 and 13 to the financial statements.

Balances and transactions with Reserve Invest Holding (Cyprus) Limited, its subsidiaries, IFD Kapital Group and other related parties are as follows:

(a) Trading transactions

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Purchases of financial assets:		
- shares:		
Holding company	69.232.978	68.730.311
Fellow subsidiary	118.819.317	171.295.759
Other common control group companies	37.256.694	172.287.239
	<hr/> 225.308.989 <hr/>	<hr/> 412.313.309 <hr/>
- bonds:		
Holding company	11.473.815	
Other common control group companies	1.524.730	1.436.005
	<hr/> 238.307.534 <hr/> <hr/>	<hr/> 413.749.314 <hr/> <hr/>

Reserve Invest (Cyprus) Limited

20 Related party transactions (continued)

(a) Trading transactions (continued)

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Sales of financial assets:		
- shares:		
Holding company	52,710,708	70,391,414
Fellow subsidiary	11,846,500	17,572,343
Other common control group companies	33,332,246	185,994,284
Other related party	13,399	1,001,085
	97,902,853	274,959,126
- bonds:		
Other common control group companies	3,778,336	4,832,638
	101,681,189	279,791,764

(b) Other transactions

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Reserve Invest Holding (Cyprus) Limited Group		
Interest income	3,957,668	5,753,326
Asset management fees	832	154,742
Brokerage fees	100,000	-
	4,058,500	5,908,068
Other common control group companies		
Interest income	5,000	631,971
Interest expense	-161,171	(1,141,691)
Commission and brokerage expenses	-165,159	(96,064)
Brokerage fees	29,850	-
Other services expense	-	(138,388)
	(291,480)	(744,172)

Reserve Invest (Cyprus) Limited

20 Related party transactions (continued)

(c) Balances arising from trading activities

	30 June 2009 US\$	31 December 2008 US\$
Trade payables (Note 16):		
Holding company	158.519	-
Other common control group companies	4.346.784	-
	<u>4.505.303</u>	<u>-</u>
	=====	=====
Trade receivables (Note 14):		
Holding company	9.525.673	19.301.445
Fellow subsidiary company	2.339.789	40.102.076
Other common control group companies	1.291.000	39.855.380
	<u>13.156.462</u>	<u>99.258.901</u>
	=====	=====

(d) Loans receivable from related parties

	30 June 2009 US\$	31 December 2008 US\$
Loan receivable from fellow subsidiary companies (Note 10)	150.000.000	150.041.618
	<u>150.000.000</u>	<u>150.041.618</u>
Less: current loans receivable from fellow subsidiary (Note 10)	-	(41.618)
	<u>150.000.000</u>	<u>150.000.000</u>
	=====	=====

Included in the loans receivable from fellow subsidiary companies is a subordinated loan of US\$ 150.000.000 (31 December 2008: US\$150.041.618) to OJSC Petrocommercebank. This loan is denominated in US Dollars and is repayable on 9 May 2016. It bears interest at 3 month LIBOR + 4% and the interest is repayable quarterly.

(e) Borrowings from related parties

	30 June 2009 US\$	31 December 2008 US\$
Borrowing from:		
Other common control group companies	-	31.166.230
	<u>-</u>	<u>31.166.230</u>
	=====	=====

The loans from common control group companies were denominated in US Dollars and were repaid in March 2009.

Reserve Invest (Cyprus) Limited

20 Related party transactions (continued)

(f) Other balances with related parties

	30 June 2009 US\$	31 December 2008 US\$
Amounts receivable (Note 14):		
Holding company:		
- asset management and brokerage commission	100.957	-
Fellow subsidiary companies:		
- asset management and brokerage commission	50.000	-
Other common control group companies:		
- asset management and brokerage commission	29.850	-
	180.807	-
Amounts payable (Note 16):		
Other common control group companies:		
- outstanding invoices for services	8.085	3.142
- financing	379.098	379.098
	387.183	382.240

(g) Directors' remuneration

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

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Fees	76.952	97.568
Emoluments in their executive capacity		
- Directors fees	30.816	1.345
- Salaries (gross)	37.391	92.795
	145.159	191.708

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

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Administration fees	76.952	97.568

Reserve Invest (Cyprus) Limited

20 Related party transactions (continued)

(h) Key management compensation

	1 January 2009 to 30 June 2009 US\$	1 January 2008 to 30 June 2008 US\$
Salaries and other short-term employee benefits	523.347 =====	939.019 =====

21 Events after the balance sheet date

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

Independent Auditors' Report on review of interim financial information on page 2.