

RTS STOCK EXCHANGE GROUP

**Consolidated Financial Statements and
Auditors' Report**

31 December 2006

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Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of RTS Stock Exchange Group:

- 1 We have audited the accompanying consolidated financial statements of RTS Stock Exchange Group and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
10 September 2007

**RTS Stock Exchange Group
Consolidated Balance Sheet**

<i>In thousands of Russian Roubles</i>	Note	31 December 2006	31 December 2005
ASSETS			
Cash and cash equivalents	7	1 475	15 389 328
Due from banks	8	-	105 414
Guarantee fund: assets	9	-	4 266 339
Insurance fund: assets	10	-	119 950
Investment securities available for sale	11	2 053	12 827
Investment securities held to maturity	12	-	30 230
Deferred tax asset	26	4 070	13 306
Goodwill		-	24 475
Other assets	13	71 147	88 263
Premises, equipment and intangible assets	14	124 231	135 719
Non-current assets held for sale (or disposal groups)	15	24 133 251	-
TOTAL ASSETS		24 336 227	20 185 851
LIABILITIES			
Settlement accounts of trading participants	16	-	14 900 705
Guarantee fund: liabilities	9	-	4 266 339
Insurance fund: liabilities	10	-	119 950
Other liabilities	17	35 261	101 715
Liabilities directly associated with non-current assets held for sale (or disposal groups)	18	23 018 628	-
TOTAL LIABILITIES		23 053 889	19 388 709
EQUITY			
Retained earnings	19	244 094	602 396
Reserve fund	20	145 009	127 166
Fair value reserve for investment securities available for sale		3 617	-
Amounts recognised directly in equity relating to non-current assets held for sale (or disposal groups)		791 002	-
Net assets attributable to the Group's equity holders		1 183 722	729 562
Minority interest		98 616	67 580
TOTAL EQUITY		1 282 338	797 142
TOTAL LIABILITIES AND EQUITY		24 336 227	20 185 851

Approved for issue and signed on behalf of the Board of Directors of RTS Stock Exchange Group on 10 September 2007.

Mr. R.Y. Goryunov
President



Mrs. M.D. Tyuftyaeva
Chief Accountant

**RTS Stock Exchange Group
Consolidated Income Statement**

<i>In thousands of Russian Roubles</i>	Note	2006	2005¹
CONTINUING OPERATIONS			
Service fee income	21	355 777	440 219
Membership fees	22	20 181	18 515
Operating income			
Staff costs		(256 875)	(163 036)
Administrative and other operating expenses	23	(147 675)	(133 577)
Market makers' fees	24	-	(9 874)
Net operating (loss)/profit		(28 592)	152 247
Gains less losses arising from sale of shares in OJSC Stock Exchange RTS and DCC	1	127 811	-
Gains less losses arising from investment securities available for sale		-	3 919
Other income		3 065	7 495
Net non-operating profit		130 876	11 414
Profit before tax		102 284	163 661
Income tax expense	26	(28 085)	(42 602)
Profit for the year from continuing operations		74 199	121 059
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations before tax	4, 25	538 138	251 268
Income tax expense	26	(134 799)	(59 965)
Profit for the year from discontinued operations		403 339	191 303
Profit attributable to			
Equity holders of the Group		446 502	295 564
Minority interest		31 036	16 798
Profit for the year		477 538	312 362

¹ Refer to Note 3 and Note 4 for changes in presentation of 2005 numbers related to discontinued operations of the Group

RTS Stock Exchange Group
Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Group				Total	Minority Interest	Total Equity
		Retained Earnings	Reserve Fund	Fair Value Reserve for Investment Securities Available for Sale	Fair Value Reserve for Investment Securities Available for Sale Classified as Held for Sale			
<i>In thousands of Russian Roubles</i>								
Balance at 31 December 2004		333 149	100 849	-	-	433 998	-	433 998
Net profit for the year		295 564	-	-	-	295 564	16 798	312 362
Allocation to the reserve fund		(26 317)	26 317	-	-	-	-	-
Minority interest at acquisition		-	-	-	-	-	50 782	50 782
Balance at 31 December 2005		602 396	127 166	-	-	729 562	67 580	797 142
Net profit for the year		446 502	-	-	-	446 502	31 036	477 538
Allocation to the reserve fund	20	(288 056)	288 056	-	-	-	-	-
Investment securities available for sale:								
- Fair value gains less losses		-	-	4 760	5 317	10 077	-	10 077
- Income tax recorded in equity		-	-	(1 143)	(1 276)	(2 419)	-	(2 419)
Balance at 31 December 2006		760 842	415 222	3 617	4 041	1 183 722	98 616	1 282 338

RTS Stock Exchange Group
Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	Note	2006	2005²
Cash flows from operating activities			
Service fee income received		355 777	440 219
Membership fees received		20 181	18 515
Other income received		3 603	7 495
Staff costs paid		(245 330)	(163 036)
Administrative and other operating expenses paid		(134 050)	(131 258)
Market makers' fees paid		-	(9 874)
Income tax paid		(31 764)	(44 731)
Cash flows used in discontinued operating activities	27	(85 483)	(45 308)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities			
		(117 066)	72 022
Net (increase)/decrease in other assets		(14 694)	5 959
Net (decrease)/increase in other liabilities		(1 290)	7 264
Net cash (used in)/from discontinued operations	27	(4 006 962)	7 238 680
Net cash (used in)/from operating activities			
		(4 140 012)	7 323 925
Investing activities			
Purchase of premises, equipment and intangible assets		(25 285)	(20 467)
Proceeds from sale of premises, equipment and intangible assets		-	977
Proceeds from sale of shares in OJSC Stock Exchange RTS and DCC	1	135 813	16 000
Cash inflow from acquisition of subsidiary		-	29 467
Cash (used in)/from discontinued investing activities	27	(3 408 026)	114 513
Net cash (used in)/from investing activities			
		(3 297 498)	140 490
Effect of exchange rate changes on cash and cash equivalents			
		(14 731)	(3 240)
Net (decrease)/increase in cash and cash equivalents			
		(7 452 241)	7 461 175
Cash and cash equivalents at the beginning of the year		15 389 328	7 928 153
Cash and cash equivalents at the end of the year			
	7, 15	7 937 087	15 389 328

² Refer to Note 3 and Note 4 for changes in presentation of 2005 numbers related to discontinued operations of the Group

Presented above consolidated statement of cash flows comprises of cash flows from continuing and discontinued operations of the Group and discloses consolidated number of cash and cash equivalents at 31 December 2005 and 31 December 2006. Included in cash and cash equivalents at 31 December 2006 are cash and cash equivalents from discontinued operations in the total amount of RUB 7 935 612 thousand (2005: RUB 15 385 849 thousand).

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2006 for Non-commercial partnership “Russian Trading System” Stock Exchange (the “RTS” or “RTS Stock Exchange”) and its subsidiaries (together referred to as the “Group” or “RTS Stock Exchange Group”).

The Group includes RTS and three subsidiary companies located in Moscow, which provide stock exchange, settlement, clearing and depository services to market participants. Refer to Note 32 for details of principal consolidated subsidiaries.

Principal activity. RTS Stock Exchange Group is the organiser and operator of the Russian Trading System, an exchange of the organised securities’ market participants. In 2001, the Group launched Russian derivative market trades in futures and options in the Russian Trading System (the “FORTS”).

“Russian Trading System” Stock Exchange, the parent company, is a non-commercial partnership, which was established in March 1997 by means of membership fees contributed by twenty-one Russian broker-dealer companies, which were also participants of the Professional Association of Securities Markets Participants (PAUFOR). The members of a non-commercial partnership are not liable for its liabilities. As at 31 December 2006 the participants of RTS are 244 Russian broker-dealer companies and banks (2005: 240), involved in trading activity on RTS which are also ultimate controlling parties of RTS. RTS has a license as a professional securities market participant issued by the Federal Securities Commission of the Russian Federation (reorganised into Federal Service for Financial Markets (FSFM) in 2004) in 1999 to organise trading in the securities market and perform clearing activities for the participants of the market. RTS also possesses a license issued by the Commodity Exchanges Commission in 2000 for organisation of trades on the derivatives market.

Clearing Center RTS CJSC (the “CC RTS”), a 100% subsidiary of RTS Stock Exchange, provides technical services to RTS participants related to maintenance and development of the trading system’s infrastructure. CC RTS was founded in October 1995 by PAUFOR, and was licensed in 2001 by the Ministry of the Russian Federation for Communications to offer data transmission services. In 2001, Clearing Center RTS obtained a license as a professional securities market participant issued by the Federal Securities Commission, to perform clearing activities. CC RTS name was changed from “Technical Center RTS” in 2004.

NCO Settlement Center RTS LLC (“SC RTS”), a 100% subsidiary of RTS Stock Exchange, provides settlement services to RTS participants on securities trading. SC RTS was founded in December 1998 by PAUFOR, and was licensed in 1999 by the Central Bank of the Russian Federation (“CBRF”) as a non-banking credit institution to perform settlement services.

CJSC “Depository Clearing Company” (the “DCC”), a 57% subsidiary of RTS Stock Exchange, was acquired by the Group in May 2005. Refer to Note 32. The principal activities of “DCC” include depository, clearing and settlement services. The Company was registered in the Russian Federation on 29 October 1993. The Company holds a license for depository activity, which was issued by the FSFM on 9 October 2002, and for clearing activity, which was issued by the FSFM on 7 October 2002. In August 2006 one share of DCC was sold to OJSC Stock Exchange RTS for RUB 9 thousand. The gain arising from the disposal was equal to RUB 7 thousand. Refer to Note 31.

OJSC “Russian Trading System” Stock Exchange (“OJSC Stock Exchange RTS”) was established by the Group in 2004. As at 31 December 2004 the Group held 30% of shares in OJSC Stock Exchange RTS. On 1 July 2005 the Group transferred the FORTS trading to OJSC Stock Exchange RTS and decreased its share to 10%, while another 5% were held by the management of the Group. In June 2006 the Board of Directors of the Group decided to sell the remaining 10% of shares in OJSC Stock Exchange RTS to various participants of RTS for RUB 135 804 thousand. The shares were sold in September 2006. The gain arising from the disposal was equal to RUB 127 804 thousand. Refer to Note 11.

In August 2006 the General meeting of participants of RTS decided to sell its investments in subsidiaries to OJSC Stock Exchange RTS. Refer to Note 33.

Registered address and place of business. The Group’s registered office is located at the following address: Dolgorukovskaia 38/1, Moscow, 127006, Russia. The number of the Group’s employees as at 31 December 2006 was 492 (2005: 411).

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and strong economic growth. The financial sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the financial sector and consequently what effect, if any, they could have on the financial position of the Group.

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 financial institutions 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.

3 Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5, Adoption of New or Revised Standards and Interpretations).

Due to sale of its subsidiaries in 2007 (refer to Note 1 and Note 33) the Group presented part of its activities related to its subsidiaries as discontinued operations under IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Consolidated financial statements. Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date).

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer’s share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference, if any, between the fair values of the net assets at the dates of exchange and at the date of acquisition is recorded directly in equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

RTS and its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly, by RTS. Minority interest forms a separate component of the Group’s equity.

3 Significant Accounting Policies (Continued)

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arms length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

3 Significant Accounting Policies (Continued)

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; and recognised in equity for assets classified as available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period’s profit or loss.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

3 Significant Accounting Policies (Continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Guarantee fund. Guarantee fund represents contributions made by derivatives market participants in the FORTS system. The purpose of this fund is to support clearing settlements on the derivatives market and cover the risks arising from market participants' open positions. If an open position exceeds the guarantee fund contribution maintained by a derivative market participant the participant should cover or close the open position.

Insurance fund. Insurance fund represents contributions made by derivative market participants in the FORTS system. The purpose of this fund is to provide insurance to market participants in the event that a participant is unable to honor its commitments made to other market participants. The minimum contribution from a participant is RUB 1 000 thousand. This contribution is only used in the event of a deficit in the guarantee fund of the same participant but is not limited to the amount contributed by this participant.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Significant Accounting Policies (Continued)

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition. Costs of minor repairs and maintenance are expensed when incurred. Gains and losses on disposals of equipment determined by comparing proceeds with carrying amount are recognised in the profit or loss.

Depreciation. Depreciation on premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Premises	2%;
Equipment	20%;
Vehicles	20%.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets. All of the Group's intangible assets have definite useful lives and mainly consist of acquired computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 4 to 5 years.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Both financial and non-financial assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn by the Group's management. Non-current assets or disposal groups classified as held for sale in the current period's balance sheet are not reclassified or re-presented in the comparative balance sheet to reflect the classification at the end of the current period.

A disposal group is assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the balance sheet date. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale premises and equipment, intangible assets, or disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises, equipment, and intangible assets are not depreciated or amortised. Reclassified non-current financial instruments, deferred taxes and investment properties held at fair value are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with a disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the balance sheet.

3 Significant Accounting Policies (Continued)

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Settlement accounts of trading participants. Settlements accounts of trading participants include amounts transferred by trading participants for different types of trading activities. Amounts payable to trading participants are stated at their contractual values, as the Group's normal settlement period for amounts payable to trading participants is one to three days, and, hence, the management of the Group estimates that their fair value is not materially different from their contractual value.

Membership fees and retained earnings. Equity of the Group is formed by retained earnings.

All participants annually are required to contribute RUB 72 000 (2005: USD 2 400); if no contribution is made, a participant is excluded from RTS membership. Membership fees related to the current year are recorded in the consolidated statement of income. These membership fees are irrevocable and do not give rights to participants to receive distributions in the form of dividends.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge/credit comprises current tax and deferred tax and is recognised in the consolidated income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Reserve fund. Since 2001, the Group has maintained a reserve fund in order to provide cover against potential losses relating to the operating activities of the Group. The reserve fund is financed by appropriations from retained earnings. No charge or credit is recognized in the income statement in respect of the fund.

3 Significant Accounting Policies (Continued)

Income and expense recognition. Fees, commissions and other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Fees for depository services are recorded rateably over the period the service is provided.

Interest income and expense are recorded in the consolidated statement of income for all interest bearing instruments on an accruals basis using the effective yield method based on the actual purchase price. Interest income includes interest on deposits placed with banks, on originated loans and coupons earned on fixed income securities. Interest expense includes interest on settlement accounts of trading participants.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. RTS's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RUB").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2006 the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 26.3311 (2005: USD 1 = RUB 28.7825).

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

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 29.

Changes in accounting policies and presentation. Due to sale of its subsidiaries in 2007 (refer to Note 1 and Note 33) the Group re-presented the consolidated income statement and consolidated statement of cash flows for the year ended 31 December 2005 under IFRS 5. The effect of re-presentation of the consolidated income statement is as follows:

<i>In thousands of Russian Roubles</i>	2005 (before changes in presentation)	Treated as Discontinued Operations	2005 (after changes in presentation)
Service fee income	650 516	(210 297)	440 219
Membership fees	18 515	-	18 515
Operating income	669 031	(210 297)	458 734
Staff costs	(285 676)	122 640	(163 036)
Administrative and other operating expenses	(224 907)	91 330	(133 577)
Market makers' fees	(9 874)	-	(9 874)
Interest income	269 091	(269 091)	-
Interest expense	(19 344)	19 344	-
Fee and commission expense	(1 195)	1 195	-
Net operating profit	397 126	(244 879)	152 247
Foreign exchange translation gains less losses	1 744	(1 744)	-
Gains less losses arising from investment securities available for sale	1 771	2 148	3 919
Other income	14 288	(6 793)	7 495
Net non-operating profit	17 803	(6 389)	11 414
Profit before tax	414 929	(251 268)	163 661
Income tax expense	(102 567)	59 965	(42 602)
Profit for the year from continuing operations	312 362	(191 303)	121 059
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations before tax	-	251 268	251 268
Income tax expense	-	(59 965)	(59 965)
Profit for the year from discontinued operations	-	191 303	191 303
Profit is attributable to			
Equity holders of the Group	295 564	-	295 564
Minority interest	16 798	-	16 798
Profit for the year	312 362	-	312 362

For effect of cash flows re-presentation refer to the consolidated statement of cash flows.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2006. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2005, unless otherwise described below.

IFRIC 4 Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires that determining whether an arrangement is, or contains, a lease be based on the substance of the arrangement. It requires an assessment of whether (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The Group reassessed its arrangements and concluded that no adjustments are required as a result of adoption of IFRIC 4.

IAS 39 (Amendment) – The Fair Value Option (effective from 1 January 2006). IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. The Group amended its policies and management now designates financial instruments as part of this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's Board of Directors. The amendment did not have an impact on these financial statements.

Effect of Adoption of New or Revised Standards. The effect of adoption of the above new or revised standards and interpretations on the Group's financial position at 31 December 2006 and 31 December 2005 and on the results of its operations for the years then ended was not significant.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not early adopted:

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduces new disclosures to improve the information about financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures will cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements.

6 New Accounting Pronouncements (Continued)

IAS 23 Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact the amended Standard on its financial statements.

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007).
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);
- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

7 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	2006	2005
Cash on hand	49	290
Cash balances with the Bank of Russia	-	14 711 791
Correspondent accounts and overnight placements with banks		
- Russian Federation	1 426	269 006
- Other countries	-	408 241
Total cash and cash equivalents	1 475	15 389 328

As at 31 December 2005 cash and cash equivalents include balances related to discontinued operations of the Group. Analysis of non-current assets held for sale as at 31 December 2006 is disclosed in Note 15.

7 Cash and Cash Equivalents (Continued)

As at 31 December 2005 included in cash on hand are balances related to continuing operations of the Group in the total amount of RUB 34 thousand. As at 31 December 2005 included in correspondent accounts and overnight placements with Russian banks are balances related to continuing operations of the Group in the total amount of RUB 3 445 thousand.

As at 31 December 2005 the Group maintained significant cash balances with the CBRF due to clearing activity performed by the Group on the organised securities market in the Russian Federation.

As at 31 December 2005 interest rates on correspondent accounts with Russian banks range from 0% to 3.5% p.a.

Geographical, currency and maturity analyses of cash and cash equivalents are disclosed in Note 28.

8 Due from Banks

<i>In thousands of Russian Roubles</i>	2006	2005
Current term placements with banks	-	94 956
Accrued interest income	-	10 458
Total due from banks	-	105 414

As at 31 December 2006 and 31 December 2005 due from banks are balances related to discontinued operations. Analysis of non-current assets held for sale as at 31 December 2006 is disclosed in Note 15.

As at 31 December 2005 current term placements with banks are represented by thirty promissory notes issued by a Russian bank. These promissory notes are denominated in US dollars, bear interest rates from 2% to 7% p.a. and have maturity periods from on demand to November 2012. Promissory notes in the total amount of RUB 19 542 thousand are pledged against loans to employees of the Group provided by this bank. Refer to Note 29.

As at 31 December 2005 Included in due from banks is accrued interest income on a Nostro account with a large Russian bank in amount RUB 10 458 thousand. It is included in due from other banks, as the balance on the related Nostro account as at 31 December 2005 is nil. Accrued interest income was receivable on the first business day of January 2006.

As at 31 December 2005 the estimated fair value of due from banks was RUB 105 414 thousand.

Geographical, currency and maturity analyses of due from banks are disclosed in Note 28.

9 Guarantee Fund: Assets and Liabilities

Guarantee fund represents contributions made by derivatives market participants in the FORTS system. The purpose of this fund is to support clearing settlements on the derivatives market and cover the risks arising from market participants' open positions. If an open position exceeds the guarantee fund contribution maintained by a derivative market participant the participant should cover or close the open position.

As at 31 December 2006 and 31 December 2005 guarantee fund is represented by balances related to disposal group classified as held for sale. Analyses of non-current assets held for sale and liabilities directly associated with non-current assets held for sale as at 31 December 2006 are disclosed in Note 15 and Note 18.

As at 31 December 2005, cash contributions to the guarantee fund are mainly placed with a large Russian bank at an interest rate of 3.5% p.a. Refer to Note 7.

9 Guarantee Fund: Assets and Liabilities (Continued)

Derivative market participants have also contributed quoted marketable securities of Russian companies to the guarantee fund as a collateral for their obligations. The fair value of this collateral amounts to RUB 708 328 thousand as at 31 December 2005.

Included in the liabilities on the consolidated balance sheet are the liabilities of the Group to repay the assets contributed by market participants. Management believes that the fair value of these liabilities is equal to the fair value of assets, contributed by the market participants, the description of which is provided above.

As at 31 December 2005 the fair value of guarantee fund and related liabilities of the Group amounted to RUB 4 266 339 thousand. Refer to Note 30.

Geographical, currency and maturity analyses of the guarantee fund and related liabilities are disclosed in Note 28.

10 Insurance Fund: Assets and Liabilities

Insurance fund represents contributions made by derivative market participants in the FORTS system. The purpose of this fund is to provide insurance to market participants in the event that a participant is unable to honour its commitments made to other market participants. The minimum contribution from a participant is RUB 1 000 thousand. This contribution is only used in the event of a deficit in the guarantee fund of the same participant but is not limited to the amount contributed by this participant.

As at 31 December 2006 and 31 December 2005 insurance fund is represented by balances related to disposal group classified as held for sale. Analyses of non-current assets held for sale and liabilities directly associated with non-current assets held for sale as at 31 December 2006 are disclosed in Note 15 and Note 18.

As at 31 December 2005, cash contributions to the guarantee fund are mainly placed with a large Russian bank at an interest rate of 3.5% p. a. Refer to Note 7.

Included in the liabilities on the consolidated balance sheet are the liabilities of the Group to repay the assets contributed by market participants. Management believes that the fair value of these liabilities of the Group is equal to the fair value of assets, contributed by the market participants, the description of which is provided above.

As at 31 December 2005 the fair value of insurance fund and related liabilities of the Group amounted to RUB 119 950 thousand. Refer to Note 30.

Geographical, currency and maturity analyses of the insurance fund and the related liabilities are disclosed in Note 28.

11 Investment Securities Available for Sale

Investment securities available for sale are represented by equity investments. The principal equity investments available for sale as at 31 December 2006 are, as follows:

Name	Nature of business	Country of registration	Fair value of the investment	
			2006	2005
Settlement-Depository Company (RDK)	Depository and clearing	Russia	1 886	1 132
SKRIN	Information services	Russia	167	246
CPM	Computer maintenance services	Russia	-	2 391
Index Agency RTS	Information services	Russia	-	1 058
Stock Exchange RTS (OJSC)	Stock Exchange Depository and clearing	Russia	-	8 000
Total securities available for sale			2 053	12 827

OJSC Stock Exchange RTS is a company established by the Group in 2004. During 2004, the Group has gradually reduced its share in that company from 100%. The shares held in this entity were sold at their fair value, and accordingly the Group has not incurred any gains or losses on their disposal. As at 31 December 2004, the Group held 30% of the shares of OJSC Stock Exchange RTS, while the rest of the shares were distributed among brokers-dealers, most of which are also members of the parent company of the Group. In 2005 the Group decreased its share in OJSC Stock Exchange RTS to 10%, with additional 5% held by the management of the Group. In 2006 the Group sold the remaining 10% of shares in OJSC Stock Exchange RTS for RUB 135 804 thousand to the participants of RTS. As at 31 December 2006 4% of shares are held by the management of the Group. Refer to Note 1.

The fair value of the non-consolidated subsidiary Index Agency RTS (100% owned by the disposal group classified as held for sale) and non-equity accounted associate CPM Ltd. (35% owned by the disposal group classified as held for sale) related to discontinued operations are disclosed in Note 15. Management believes that fair value of these investments approximates related share of the Group in their net assets. These entities have not been consolidated in these consolidated financial statements since consolidation of these companies would not materially alter the consolidated financial position of the Group as at 31 December 2006 or the consolidated results of its operations or cash flows for the year then ended.

Geographical, currency and maturity analyses of investment securities available for sale are disclosed in Note 28.

12 Investment Securities Held to Maturity

Investment securities held to maturity are held by the disposal group classified as held for sale as at 31 December 2006 and 31 December 2005. Analysis of non-current assets held for sale as at 31 December 2006 is disclosed in Note 15.

As at 31 December 2005 investment securities held to maturity comprised Moscow municipal bonds held by DCC, which are Russian Rouble denominated bonds issued by Moscow Government. These bonds have maturity dates from December 2006 to October 2007, coupon rate from 10% to 15% p.a. and yield to maturity from 5.5% to 5.6% p.a., depending on the type of bond issue.

At 31 December 2005 the estimated fair value of investment securities held to maturity was RUB 30 305 thousand. Refer to Note 30.

Geographical, currency and maturity analysis of investment securities held to maturity are disclosed in Note 28.

13 Other Assets

<i>In thousands of Russian Roubles</i>	2006	2005
Prepaid taxes	43 262	9 165
Trade debtors and prepayments	23 263	67 206
VAT on purchases, not expensed	3 221	2 262
Other	1 401	9 630
Total other assets	71 147	88 263

As at 31 December 2005 other assets include balances related to discontinued operations of the Group. Analysis of non-current assets held for sale as at 31 December 2006 is disclosed in Note 15.

As at 31 December 2005 included in prepaid taxes are balances related to continuing operations of the Group in the total amount of RUB 6 408 thousand.

As at 31 December 2005 included in trade debtors and prepayments are balances related to continuing operations of the Group in the total amount of RUB 12 436 thousand.

As at 31 December 2005 included in VAT on purchases, not expensed are balances related to continuing operations of the Group in the total amount of RUB 1 739 thousand.

Other balances related to continuing operations of the Group as at 31 December 2005 were equal to RUB 1 987 thousand.

Geographical, currency and maturity analyses of other assets are disclosed in Note 28. The information on related party balances disclosed in Note 31.

RTS Stock Exchange Group
Notes to the Consolidated Financial Statements – 31 December 2006

14 Premises, Equipment and Intangible Assets

<i>In thousands of Russian Roubles</i>	Note	Premises	Office and computer equipment	Vehicles	Intangible assets	Total
Cost at 1 January 2005		97 186	152 204	3 414	-	252 804
Accumulated depreciation		(3 371)	(121 811)	(161)	-	(125 343)
Carrying amount at 1 January 2005		93 815	30 393	3 253	-	127 461
Acquisitions through business combinations		-	16 687	3 233	11 942	31 862
Additions		-	19 369	2 861	-	22 230
Disposals: cost		-	(13 489)	(1 713)	(28)	(15 230)
Disposals: accumulated depreciation		-	9 143	175	28	9 346
Depreciation charge		(1 944)	(36 647)	(623)	(736)	(39 950)
Carrying amount at 31 December 2005		91 871	25 456	7 186	11 206	135 719
Cost at 31 December 2005		97 186	196 995	7 970	18 533	320 684
Accumulated depreciation		(5 315)	(171 539)	(784)	(7 327)	(184 965)
Carrying amount at 31 December 2005		91 871	25 456	7 186	11 206	135 719
Reclassification to non-current assets classified as held for sale		-	(16 024)	(5 254)	(11 206)	(32 484)
Additions		1 209	30 171	3 818	-	35 198
Disposals: cost		-	(2 010)	(784)	-	(2 794)
Disposals: accumulated depreciation		-	1 885	332	-	2 217
Depreciation charge	23	(1 968)	(9 696)	(1 961)	-	(13 625)
Carrying amount at 31 December 2006		91 112	29 782	3 337	-	124 231
Cost at 31 December 2006		98 395	59 721	9 498	-	167 614
Accumulated depreciation		(7 283)	(29 939)	(6 161)	-	(43 383)
Carrying amount at 31 December 2006		91 112	29 782	3 337	-	124 231

15 Non-current Assets Held for Sale (or Disposal Groups)

<i>In thousands of Russian Roubles</i>	CC RTS	SC RTS	DCC	Total
Cash and cash equivalents	348 778	7 111 765	475 069	7 935 612
Due from banks	30 260	4 002 521	-	4 032 781
Guarantee fund: assets	10 383 548	-	-	10 383 548
Insurance fund: assets	412 700	-	-	412 700
Investment securities available for sale	7 194	-	-	7 194
Investment securities held to maturity	-	-	25 289	25 289
Other assets	9 748	1 188 433	106 288	1 304 469
Premises, equipment and intangible assets	3 792	1 937	25 929	31 658
Total non-current assets held for sale (or disposal groups)	11 196 020	12 304 656	632 575	24 133 251

Cash and cash equivalents as at 31 December 2006 related to disposal groups classified as held for sale are as follows:

<i>In thousands of Russian Roubles</i>	CC RTS	SC RTS	DCC	Total
Cash on hand	10	-	56	66
Cash balances with the Bank of Russia	-	4 274 489	-	4 274 489
Correspondent accounts and overnight placements with banks				
- Russian Federation	348 768	750 928	475 013	1 574 709
- Other countries	-	2 086 348	-	2 086 348
Total cash and cash equivalents	348 778	7 111 765	475 069	7 935 612

As at 31 December 2006 interest rates on correspondent accounts with Russian banks range from 0% to 3.5% p. a.

Description of the nature of the guarantee and insurance funds is presented in Note 9 and Note 10.

16 Settlement Accounts of Trading Participants

<i>In thousands of Russian Roubles</i>	2006	2005
Settlements accounts of:		
-participants of the Group referred to as "market makers"	-	3 401 253
-other trading participants	-	11 340 814
-dividends and coupon income payable to DCC clients	-	158 638
Total settlement accounts of trading participants	-	14 900 705

As at 31 December 2006 and 31 December 2005 settlement accounts of trading participants are balances related to discontinued operations of the Group. Analysis of liabilities directly associated with non-current assets held for sale as at 31 December 2006 is disclosed in Note 18.

Participants of RTS maintain settlement accounts with the Group for participation in day-to-day trading activity. Certain participants of RTS are referred to as "market makers". A "market maker" is a company that maintains a "bid" and "ask" price in a given instrument by standing ready, willing, and able to buy or sell these instruments at publicly quoted prices. These market makers present "bid" and "ask" prices for specific quantities of specific instruments, and if these prices are met, they would immediately buy for or sell at the expense of resources placed in their own accounts. These settlement accounts are non-interest bearing.

16 Settlement Accounts of Trading Participants (Continued)

As at 31 December 2005 the estimated fair value of settlement accounts of trading participants was RUB 14 900 705 thousand. Refer to Note 30.

Geographical, currency and maturity analyses of settlement accounts of trading participants are disclosed in Note 28. Information on related party balances is disclosed in Note 31.

17 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	2006	2005
Trade creditors	29 175	60 503
Taxes payable	4 686	8 002
Advances received	1 396	23 072
Other	4	10 138
Total other liabilities	35 261	101 715

As at 31 December 2005 other liabilities include balances related to discontinued operations of the Group. Analysis of liabilities directly associated with non-current assets held for sale as at 31 December 2006 is disclosed in Note 18.

As at 31 December 2005 included in trade creditors are balances related to continuing operations of the Group in the total amount of RUB 25 464 thousand.

As at 31 December 2005 included in taxes payable are balances related to continuing operations of the Group in the total amount of RUB 2 139 thousand.

As at 31 December 2005 included in advances received are balances related to continuing operations of the Group in the total amount of RUB 1 201 thousand.

Other balances related to continuing operations of the Group as at 31 December 2005 were equal to RUB 24 thousand.

Geographical, currency and maturity analyses of other liabilities are disclosed in Note 28. Information on related party balances is disclosed in Note 31.

18 Liabilities Directly Associated with Non-current Assets Held for Sale (or Disposal Groups)

<i>In thousands of Russian Roubles</i>	CC RTS	SC RTS	DCC	Total
Settlement accounts of trading participants	-	10 626 795	295 881	10 922 676
Guarantee fund: liabilities	10 383 548	-	-	10 383 548
Insurance fund: liabilities	412 700	-	-	412 700
Deferred tax liability	-	-	1 441	1 441
Other liabilities	21 709	1 190 621	85 933	1 298 263
Total liabilities directly associated with non-current assets held for sale (or disposal groups)	10 817 957	11 817 416	383 255	23 018 628

Included in settlement accounts of trading participants as at 31 December 2006 are settlement accounts of participants of the Group referred to as "market makers" in the total amount of RUB 1 217 628 thousand and settlement accounts of other trading participants in the total amount of RUB 9 705 048 thousand.

Description of the nature of the guarantee and insurance funds is presented in Note 9 and Note 10.

19 Retained Earnings

In accordance with the Russian legislation, the parent company RTS Stock Exchange, a non-commercial organisation, must allocate all profits to reserves on the basis of statutory accounting reports prepared in accordance with the Russian Accounting Rules. Profits retained by RTS are not distributable.

Consolidated subsidiaries of the Group distribute profits as dividends or transfer them to reserves (fund accounts) on the basis of standalone financial reports prepared in accordance with Russian Accounting Rules. As at 31 December 2006 the combined non-audited reserves of consolidated subsidiaries under Russian Accounting Rules were RUB 704 907 thousand (2005: RUB 425 198 thousand).

20 Reserve Fund

Since 2001, the Group has maintained a reserve fund in order to provide cover against potential losses relating to the operating activities of the Group (Refer to Note 1). Reserve fund is financed by appropriations from the retained earnings. No charge or credit is recognized in the income statement in respect of these appropriations.

21 Service Fee Income

<i>In thousands of Russian Roubles</i>	2006	2005
Fees from participants of the RTS	203 458	191 816
Fees for clearing services	110 334	207 608
Fees from information agencies	36 176	35 793
Other fees	5 809	5 002
Total service fee income	355 777	440 219

The Group receives fees from its participants for organisation of trading activity. The Group also receives fees from information agencies and Internet users for providing information on the results of trading. These fees form the main source of operating income for the Group.

A significant share of total service fee income of the Group is derived from organization of trading in shares of a large Russian company, operating in the oil and gas sector of the economy. This trading activity is conducted via the trading system of Non-Commercial Partnership "Saint-Petersburg Stock Exchange" to which the Group renders significant technical assistance. The agreement between the Group and Non-Commercial Partnership "Saint-Petersburg Stock Exchange" stipulates a fixed share of commission income to be received by the Group for provision of such assistance, and the amount of this service fee income for the year ended 31 December 2006 was RUB 151 598 thousand (2005: RUB 277 770 thousand), or 21% of total service fee income (2005: 43%).

Operations with related parties are disclosed in Note 31.

22 Membership Fees

<i>In thousands of Russian Roubles</i>	2006	2005
- participants of RTS referred to as "market makers"	614	2 135
- other participants of RTS	19 567	16 380
Total membership fees	20 181	18 515

23 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Note	2006	2005
Professional services		45 106	37 407
Marketing and representative expenses		27 230	18 480
Depreciation of premises, equipment and intangible assets	14	13 625	11 721
Telecommunication services		12 523	12 069
Administrative expenses		12 187	12 952
Rent expenses on operating leases		9 205	16 453
Office maintenance		8 119	4 816
Insurance		3 880	3 387
Taxes other than on income		590	5 030
Other		15 210	11 262
Total administrative and other operating expenses		147 675	133 577

24 Market Makers' Fees

During 2006, the Group did not pay to the participants of RTS referred to as “market makers” for support in organisation of trading on FORTS (2005: RUB 9 874 thousand). These “market makers” maintain “bid” and “ask” prices for certain financial instruments, thereby maintaining certain volume of the market transactions for these financial instruments. The size of “market makers” compensation depends on volume of trading performed under “market makers” conditions.

25 Profit for the Year from Discontinued Operations

<i>In thousands of Russian Roubles</i>	CC RTS	SC RTS	DCC	Total
Service fee income	50 358	22 308	289 758	362 424
Operating income	50 358	22 308	289 758	362 424
Staff costs	(32 168)	(40 601)	(145 921)	(218 690)
Administrative and other operating expenses	(46 373)	(9 066)	(60 448)	(115 887)
Interest income	274 984	257 887	10 871	543 742
Interest expense	-	(18 558)	-	(18 558)
Fee and commission expense	-	(2 374)	-	(2 374)
Net operating profit	246 801	209 596	94 260	550 657
Foreign exchange translation losses less gains	(333)	(13 860)	-	(14 193)
Results from dealing in foreign currencies	-	(872)	-	(872)
Net expense from dealing in securities	(2 388)	-	-	(2 388)
Other income	3 102	902	930	4 934
Net non-operating profit/(loss)	381	(13 830)	930	(12 519)
Profit for the year from discontinued operations before tax	247 182	195 766	95 190	538 138
Income tax expense	(63 872)	(47 117)	(23 810)	(134 799)
Profit for the year from discontinued operations	183 310	148 649	71 380	403 339

For operations with related parties refer to Note 31.

26 Income Taxes

Income tax expense comprises the following:

<i>In thousands of Russian Roubles</i>	2006	2005
Current tax	158 227	108 968
Deferred tax	4 657	(6 401)
Income tax expense for the year	162 884	102 567
Including:		
Income tax expense for the year from continuing operations	28 085	42 602
Income tax expense for the year from discontinued operations	134 799	59 965

The income tax rate applicable to the majority of the Group's income is 24% (2005: 24%). A reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Russian Roubles</i>	2006	2005
IFRS profit before tax	640 422	414 929
Theoretical tax charge at statutory rate (2006: 24%; 2005: 24%)	153 701	99 583
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income, which is exempt from taxation	(171)	(8 215)
- Non-deductible expenses	9 354	11 199
Income tax expense for the year	162 884	102 567
Including:		
Income tax expense for the year from continuing operations	28 085	42 602
Income tax expense for the year from discontinued operations	134 799	59 965

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% (2005: 24%).

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26 Income Taxes (Continued)

	31 December 2005	Charged/(credited) to equity	Charged/(credited) to profit or loss	31 December 2006
<i>In thousands of Russian Roubles</i>				
Tax effect of deductible temporary differences				
Premises, equipment and intangible assets	7 060	-	585	7 645
Accrued expense	5 333	-	(3 910)	1 423
Low value items written-off	1 179	-	(157)	1 022
Gross deferred tax asset	13 572	-	(3 482)	10 090
Tax effect of taxable temporary differences				
Accrued income	(266)	-	(1 175)	(1 441)
Investment securities available for sale	-	(2 419)	-	(2 419)
Gross deferred tax liability	(266)	(2 419)	(1 175)	(3 860)
Recognised deferred tax asset	13 306	(2 419)	(4 657)	6 230

Included in the recognized deferred tax asset are balances related to continuing operations of the Group in the total amount of RUB 4 070 thousand and RUB 2 160 thousand related to discontinued operations of the Group.

	31 December 2004	Business combinations (Note 32)	Charged/(credited) to profit or loss	31 December 2005
<i>In thousands of Russian Roubles</i>				
Tax effect of deductible temporary differences				
Premises, equipment and intangible assets	6 677	(160)	543	7 060
Accrued expense	-	2 666	2 667	5 333
Low value items written-off	254	-	925	1 179
Gross deferred tax asset	6 931	2 506	4 135	13 572
Tax effect of taxable temporary differences				
Accrued income	-	(133)	(133)	(266)
Investment securities available for sale	(2 399)	-	2 399	-
Gross deferred tax liability	(2 399)	(133)	2 266	(266)
Recognised deferred tax asset	4 532	2 373	6 401	13 306

27 Cash Flows from Discontinued Operations

<i>In thousands of Russian Roubles</i>	2006	2005
Service fee income received	362 424	210 297
Other income received	11 292	8 829
Staff costs paid	(210 885)	(122 640)
Administrative and other operating expenses paid	(103 293)	(66 310)
Interest expense paid	(18 558)	(19 344)
Income tax paid	(126 463)	(56 140)
Cash flows used in discontinued operating activities	(85 483)	(45 308)

<i>In thousands of Russian Roubles</i>	2006	2005
Net increase in resources of guarantee fund: assets	(6 636 367)	(2 886 057)
Net increase in resources of insurance fund: assets	(292 750)	(47 900)
Net increase in other assets	(1 244 582)	(58 939)
Net (decrease)/increase in settlement accounts of trading participants	(3 978 029)	7 213 852
Net increase in liabilities related to guarantee fund: liabilities	6 636 367	2 886 057
Net increase in liabilities related to insurance fund: liabilities	292 750	47 900
Net increase in other liabilities	1 215 649	83 767
Net cash (used in)/ from discontinued operations	(4 006 962)	7 238 680

<i>In thousands of Russian Roubles</i>	2006	2005
Purchase of premises and equipment	(12 002)	(1 762)
Proceeds from sale of premises and equipment	767	236
Interest income received	530 576	258 633
Net increase in due from other banks	(3 927 367)	(82 002)
Purchase of investments securities available for sale	-	(60 592)
Cash flows (used in)/ from discontinued investing activities	(3 408 026)	114 513

28 Financial Risk Management

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

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Geographical risk. At 31 December 2006, all assets and liabilities relate to individuals, companies and banks located in the Russian Federation, except for cash amounting to RUB 2 085 798 thousand (2005: RUB 250 770 thousand) related to disposal group classified as held for sale placed with banks located in the United States of America and cash amounting to RUB 550 thousand (2005: RUB 157 471 thousand) related to the same disposal group classified as held for sale placed with banks located in countries of the European Union. Refer to Note 15.

Currency risk. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2006:

<i>In thousands of Russian Roubles</i>	RUB	USD	Euro	Total
Assets				
Cash and cash equivalents	1 428	47	-	1 475
Investment securities available for sale	2 053	-	-	2 053
Deferred tax asset	4 070	-	-	4 070
Other assets	70 507	640	-	71 147
Premises, equipment and intangible assets	124 231	-	-	124 231
Non-current assets held for sale (or disposal groups)	22 017 820	2 114 215	1 216	24 133 251
Total assets	22 220 109	2 114 902	1 216	24 336 227
Liabilities				
Other liabilities	35 219	42	-	35 261
Liabilities directly associated with non-current assets held for sale (or disposal groups)	22 133 165	884 970	493	23 018 628
Total liabilities	22 168 384	885 012	493	23 053 889
Net balance sheet position	51 725	1 229 890	723	1 282 338

28 Financial Risk Management (Continued)

At 31 December 2005, the Group had the following positions in currencies:

<i>In thousands of Russian Roubles</i>	RUB	USD	Euro	Total
Assets				
Cash and cash equivalents	14 977 953	407 501	3 874	15 389 328
Due from banks	85 872	19 542	-	105 414
Guarantee fund: assets	4 266 339	-	-	4 266 339
Insurance fund: assets	119 950	-	-	119 950
Investment securities available for sale	12 827	-	-	12 827
Investment securities held to maturity	30 230	-	-	30 230
Deferred tax asset	13 306	-	-	13 306
Goodwill	24 475	-	-	24 475
Other assets	88 087	176	-	88 263
Premises, equipment and intangible assets	135 719	-	-	135 719
Total assets	19 754 758	427 219	3 874	20 185 851
Liabilities				
Settlement accounts of trading participants	14 897 871	1 123	1 711	14 900 705
Guarantee fund: liabilities	4 266 339	-	-	4 266 339
Insurance fund: liabilities	119 950	-	-	119 950
Other liabilities	101 715	-	-	101 715
Total liabilities	19 385 875	1 123	1 711	19 388 709
Net balance sheet position	368 883	426 096	2 163	797 142

28 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The liquidity risk is managed by management of the Group on a daily basis.

The liquidity position of the Group at 31 December 2006 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 475	-	-	-	-	1 475
Investment securities available for sale	-	-	-	-	2 053	2 053
Deferred tax asset	-	-	-	-	4 070	4 070
Other assets	59 602	-	-	-	11 545	71 147
Premises, equipment and intangible assets	-	-	-	-	124 231	124 231
Non-current assets held for sale (or disposal groups)	23 540 846	71 538	39 760	24 219	456 888	24 133 251
Total assets	23 601 923	71 538	39 760	24 219	598 787	24 336 227
Liabilities						
Other liabilities	35 261	-	-	-	-	35 261
Liabilities directly associated with non-current assets held for sale (or disposal groups)	22 581 667	8 218	12 195	1 025	415 523	23 018 628
Total liabilities	22 616 928	8 218	12 195	1 025	415 523	23 053 889
Net liquidity gap	984 995	63 320	27 565	23 194	183 264	1 282 338
Cumulative liquidity gap as at 31 December 2006	984 995	1 048 315	1 075 880	1 099 074	1 282 338	

28 Financial Risk Management (Continued)

The liquidity position of the Group at 31 December 2005 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	15 389 328	-	-	-	-	15 389 328
Due from banks	85 872	747	2 044	16 751	-	105 414
Guarantee fund: assets	4 266 339	-	-	-	-	4 266 339
Insurance fund: assets	-	-	-	-	119 950	119 950
Investment securities available for sale	-	-	-	-	12 827	12 827
Investment securities held to maturity	-	144	2 829	26 106	1 151	30 230
Deferred tax asset	-	-	-	-	13 306	13 306
Goodwill	-	-	-	-	24 475	24 475
Other assets	66 157	8 203	3 368	5 872	4 663	88 263
Premises, equipment and intangible assets	-	-	-	-	135 719	135 719
Total assets	19 807 696	9 094	8 241	48 729	312 091	20 185 851
Liabilities						
Settlement accounts of trading participants	14 900 705	-	-	-	-	14 900 705
Guarantee fund: liabilities	4 266 339	-	-	-	-	4 266 339
Insurance fund: liabilities	-	-	-	-	119 950	119 950
Other liabilities	62 341	35 748	2 619	1 007	-	101 715
Total liabilities	19 229 385	35 748	2 619	1 007	119 950	19 388 709
Net liquidity gap	578 311	(26 654)	5 622	47 722	192 141	797 142
Cumulative liquidity gap as at 31 December 2005	578 311	551 657	557 279	605 001	797 142	

Deferred tax asset is classified as no stated maturity because it mainly relates to premises and equipment, software and other intangible assets.

The matching and/or controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Group. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Interest rate risk. The Group takes on exposure to the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarizes the Group's exposure to interest rate risks at 31 December 2006. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

28 Financial Risk Management (Continued)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
<i>In thousands of Russian Roubles</i>						
Assets						
Cash and cash equivalents	1 475	-	-	-	-	1 475
Investment securities available for sale	-	-	-	-	2 053	2 053
Deferred tax asset	-	-	-	-	4 070	4 070
Other assets	59 602	-	-	-	11 545	71 147
Premises, equipment and intangible assets	-	-	-	-	124 231	124 231
Non-current assets held for sale (or disposal groups)	23 540 846	71 538	39 760	24 219	456 888	24 133 251
Total assets	23 601 923	71 538	39 760	24 219	598 787	24 336 227
Liabilities						
Other liabilities	35 261	-	-	-	-	35 261
Liabilities directly associated with non-current assets held for sale (or disposal groups)	22 581 667	8 218	12 195	1 025	415 523	23 018 628
Total liabilities	22 616 928	8 218	12 195	1 025	415 523	23 053 889
Net gap as at 31 December 2006	984 995	63 320	27 565	23 194	183 264	1 282 338

The following table summarizes the Group's exposure to interest rate risks at 31 December 2005 by showing assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

28 Financial Risk Management (Continued)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total
<i>In thousands of Russian Roubles</i>						
Assets						
Cash and cash equivalents	15 389 328	-	-	-	-	15 389 328
Due from banks	85 872	747	2 044	16 751	-	105 414
Guarantee fund: assets	4 266 339	-	-	-	-	4 266 339
Insurance fund: assets	-	-	-	-	119 950	119 950
Investment securities available for sale	-	-	-	-	12 827	12 827
Investment securities held to maturity	-	144	2 829	26 106	1 151	30 230
Deferred tax asset	-	-	-	-	13 306	13 306
Goodwill	-	-	-	-	24 475	24 475
Other assets	66 157	8 203	3 368	5 872	4 663	88 263
Premises, equipment and intangible assets	-	-	-	-	135 719	135 719
Total assets	19 807 696	9 094	8 241	48 729	312 091	20 185 851
Liabilities						
Settlement accounts of trading participants	14 900 705	-	-	-	-	14 900 705
Guarantee fund: liabilities	4 266 339	-	-	-	-	4 266 339
Insurance fund: liabilities	-	-	-	-	119 950	119 950
Other liabilities	62 341	35 748	2 619	1 007	-	101 715
Total liabilities	19 229 385	35 748	2 619	1 007	119 950	19 388 709
Net gap as at 31 December 2005	578 311	(26 654)	5 622	47 722	192 141	797 142

The Group is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term. The Group is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates; these are primarily presented in the above table as being repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Board of Directors monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

29 Contingencies and Commitments

Legal proceedings. As at 31 December 2006 the Group was not engaged in any litigation processes apart from DCC, which is described below.

As at 31 December 2006 DCC was involved in litigation with the Federal Tax Service of the Russian Federation (the "FTS") in relation to taxes paid by DCC in 1998 and 1999 through a bank AKB "SBS-AGRO" (the "Bank"). In 1998 and 1999 the DCC instructed the Bank to transfer RUB 11 207 thousand from DCC's current account balance to FTS's current account, however the Bank did not transfer the funds to the tax authorities. In 1999 the Bank became insolvent and in 2004 the Bank was declared bankrupt. Subsequently, the amount of RUB 1 809 thousand was received by the FTS as a creditor of the Bank as a result of the bankruptcy proceeding. The balance RUB 9 398 thousand was claimed by FTS from DCC in 2006. In December 2006 DCC defended the claim in Moscow Arbitration Court, as the management of DCC believes that according to the legislation a taxpayer has no obligations to the tax authorities after an appropriate sum has been withdrawn from the current account of the taxpayer. In February 2007 the Moscow Arbitration Court issued a verdict in favour of DCC. In March 2007 the FTS appealed the verdict of the Federal Arbitration Court. Subsequently, in August 2007 the Federal Arbitration Court issued a verdict in favour of DCC. Since no present legal obligation existed at the balance sheet date, DCC had not recognised a provision for this claim.

Tax legislation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

29 Contingencies and Commitments (Continued)

At 31 December 2006 and at 31 December 2005 there are no uncertain tax positions that management believes are less likely than not to be sustained if challenged by the tax authorities. As such there are no liabilities recorded in the balance sheet at 31 December 2006 and at 31 December 2005 in respect of uncertain tax liabilities.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Russian Roubles</i>	2006	2005
Not later than 1 year	15 641	23 407
Later than 1 year and not later than 5 years	18 777	37 995
Later than 5 years	-	1 491
Total operating lease commitments	34 418	62 893

On 28 January 2004 DCC entered into a five year and four month non-cancellable operating lease for buildings. The total future minimum rental payments, associated with the remaining lease term that are included in operation lease commitments as at 31 December 2006 are RUB 32 050 thousand.

Assets pledged. As at 31 December 2006 the Group had cash deposits and promissory notes acquired in the total amount of RUB 30 260 thousand (2005: RUB 19 542 thousand) pledged as collateral with a Russian bank against loans issued to the employees of the Group by this bank. These assets pledged related to disposal group classified as held for sale. Refer to Note 8.

30 Fair Value of Financial Instruments

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 Group 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.

Financial instruments carried at fair value. Investment securities available for sale are carried in the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

External independent market quotations were not available for certain investment securities available for sale. The fair value of these assets was determined by management on the basis of analysis of available financial data of the investees and application of other valuation methodologies.

Management believes that fair value of other assets and other liabilities, which are stated at their contracted values and are of a short-term nature, are not materially different from their contracted values.

Due from banks. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Note 8 for the estimated fair values of due from banks.

31 Related Party Transactions

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

As described in Note 1, as at 31 December 2006 RTS has 244 participants (2005: 240) - Russian broker-dealer companies involved in trading activity. The majority of participants are users of services provided by the Group and as such, a substantial portion of the Group's assets and liabilities are held with/due to its participants, and substantial portion of the revenue is derived from its participants.

Other related parties are associates and non-consolidated subsidiaries of the Group and the employees of the Group. Transactions entered into with other related parties include settlements, loans, purchases of equipment and provision of other services.

The outstanding balances at the year end and income and expense items for the year with related parties, other than participants, are as follows:

	2006	2005
Trade debtors	755	3
Trade creditors	(17 604)	(7 582)
Settlement accounts of trading participants	(185 529)	(88 076)
Service fee income	5 587	1 438
Interest income	1 671	-
Other income	5 902	1 039
Net income from dealing in securities	7	-
Other operating expenses	(38 618)	(17 797)

In 2006, the total remuneration of the directors and key management personnel (heads of departments), including pension contributions, and discretionary compensation amounts to RUB 48 226 thousand (2005: RUB 45 955 thousand).

32 Principal Subsidiaries

Name	Nature of business	Percentage of ownership in 2006	Percentage of ownership in 2005	Country of registration
Clearing Center RTS	Information services	100	100	Russia
Settlement Center RTS	Settlement services	100	100	Russia
DCC	Depository services	57	57	Russia

The non-consolidated subsidiaries Index Agency RTS (100% owned by the disposal group classified as held for sale) and non-equity accounted associate CPM Ltd. (35% owned by the disposal group classified as held for sale) have not prepared their financial statements in accordance with IFRS. Management believes that fair value of these investments (Refer to Note 11) approximates the related share of the Group in their net assets. These entities have not been consolidated in these consolidated financial statements since the consolidation of these companies would not materially alter the consolidated financial position of the Group as at 31 December 2006 or the consolidated results of its operations or cash flows for the year then ended.

In May 2005 the Group acquired a significant part of the shares of DCC. Refer to Note 1.

32 Principal Subsidiaries (Continued)

The analysis of assets, liabilities and goodwill acquired is presented below:

<i>In thousands of Russian Roubles</i>	At the date of acquisition
Cash and cash equivalents	113 743
Equipment, motor vehicles and intangible assets	31 862
Deferred tax assets	2 373
Other assets	37 258
Dividends and coupon income payable to clients	(43 889)
Other liabilities	(25 880)
Fair value of net assets	115 467
Less: Fair value of net assets owned at the beginning of the reporting period	(4 884)
Less: Minority interest at acquisition	(50 782)
Fair value of net assets acquired	59 801
Goodwill at acquisition	24 475
Purchase consideration paid	84 276
Cash and cash equivalents of acquired subsidiary	(113 743)
Cash inflow on the acquisition of subsidiary	29 467

The acquired subsidiary contributed operating income of RUB 157 142 thousand and profit of RUB 38 197 thousand to the Group for the period from the date of acquisition to 31 December 2005. If the acquisition had occurred on 1 January 2005, Group revenue for 2005 would have been RUB 743 137 thousand, and profit for 2005 would have been RUB 347 442 thousand.

33 Subsequent Events

Subsequent to the balance sheet date, in May 2007, the Group's 100% interest in CC RTS and 57% interest in DCC were sold to OJSC Stock Exchange RTS for RUB 297 813 thousand and RUB 146 423 thousand, respectively. Management believes that the Group's interest in SC RTS will be sold for approximately RUB 276 848 thousand by the end of 2007. The sales are to the Group's related party OJSC Stock Exchange RTS and at a price approved by the Group at the time it made a decision to perform such sales.

Management have considered whether the carrying values of the disposal groups represented by these subsidiaries should be written down to the approved sales prices as at 31 December 2006. For the purposes of assessing impairment, if any, accounting standards require a comparison of the carrying values with fair value less costs to sell. At 31 December 2006, fair value less costs to sell of the subsidiaries was estimated as follows:

Subsidiary	Share sold/to be sold (%)	Fair value of net assets (RUB thousand)
Clearing Center RTS	100	402 278
Settlement Center RTS	100	360 107
DCC	57	151 661

33 Subsequent Events (Continued)

At 31 December 2006, the estimated fair value less cost to sell is higher than the approved sales prices primarily due to profits earned by the subsidiaries after the Group made a decision to sell these entities. Despite this, no impairment should be recognized in the consolidated financial statements because the accounting standards require write-down to the fair value less costs to sell rather than to the approved sales price. The approved sales prices are based on a decision of the main participants of RTS and OJSC Stock Exchange RTS. The Group and the purchasing entity have the same main participants who also approved the Group's restructuring process.

In addition to the above subsidiaries, trade organization and listing activities of the Group's parent were transferred to OJSC Stock Exchange RTS from 1 January 2007 as well as regulating committees and commissions of the Group's parent as part of Group's restructuring procedures.

The restructuring of the Group is made in line with a trend to increase the effectiveness of management and transparency of stock-exchanges, under which stock exchanges are reorganized from non-public partnerships to open joint-stock companies.

In June 2007 it was announced that the current president of the Group, Oleg Safonov, planned to resign. Roman Goryunov was elected on 30 August 2007 at the annual RTS members meeting as the new president of the Group.