

Moscow Interbank Currency Exchange Group

Consolidated Financial Statements
Year Ended December 31, 2010

MICEX GROUP

TABLE OF CONTENTS

	Page
STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS	1
INDEPENDENT AUDITORS' REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010:	
Consolidated income statement	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8-9
Notes to the consolidated financial statements	10-47

MICEX GROUP

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

The Management of CJSC MICEX is responsible for the preparation of the consolidated financial statements that present fairly the financial position of CJSC MICEX and its subsidiaries (the "Group") as of December 31, 2010, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, the Management is responsible for:

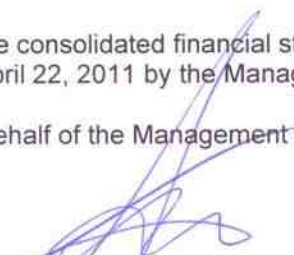
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities


These consolidated financial statements for the year ended December 31, 2010 were authorized for issue on April 22, 2011 by the Management of CJSC MICEX.

On behalf of the Management



President
Aganbegyan R.A.

April 22, 2011
Moscow



Chief Accountant
Gordiyenko O.Yu.

April 22, 2011
Moscow

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors
of CJSC Moscow Interbank Currency Exchange:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CJSC Moscow Interbank Currency Exchange and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

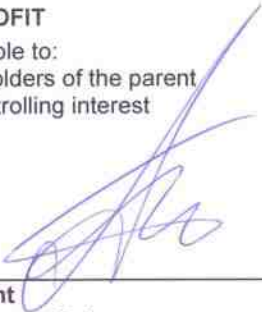
Deloitte & Touche

April 22, 2011
Moscow

MICEX GROUP


CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian rubles)

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
Commission income	6, 24	7,768,810	7,072,816
Net interest income	7, 24	3,404,823	4,028,402
Net (loss)/gain on financial assets at fair value through profit or loss	8	(78,064)	97,341
Other operating income		21,333	79,783
Foreign currency difference		<u>(6,118)</u>	<u>(72,987)</u>
NET INCOME		11,110,784	11,205,355
Administrative and other operating expenses	9, 24	(4,534,594)	(3,528,061)
Commission expenses	6, 24	<u>(368,501)</u>	<u>(405,135)</u>
OPERATING PROFIT		6,207,689	7,272,159
Share of profits of associates	16, 24	<u>30,192</u>	<u>24,938</u>
PROFIT BEFORE TAX		6,237,881	7,297,097
Income tax expense	10	<u>(1,411,618)</u>	<u>(1,493,717)</u>
NET PROFIT		<u>4,826,263</u>	<u>5,803,380</u>
Attributable to:			
Equity holders of the parent		4,436,476	5,102,665
Non-controlling interest		389,787	700,715



President
Aganbegyan R.A.

April 22, 2011
Moscow



Chief Accountant
Gordiyenko O.Yu.


April 22, 2011
Moscow

The notes on pages 10-47 form an integral part of these consolidated financial statements.

MICEX GROUP


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian rubles)

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
NET PROFIT		<u>4,826,263</u>	<u>5,803,380</u>
OTHER COMPREHENSIVE LOSS			
Exchange differences on translating foreign operations		23	-
Net loss resulting on revaluation of investments available-for-sale during the period		(72,511)	-
Deferred income tax on items recorded in other comprehensive loss	10	<u>14,497</u>	<u>-</u>
OTHER COMPREHENSIVE LOSS AFTER INCOME TAX		<u>(57,991)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>4,768,272</u>	<u>5,803,380</u>
Attributable to:			
Equity holders of the parent		4,378,485	5,102,665
Non-controlling interest	5	<u>389,787</u>	<u>700,715</u>
TOTAL COMPREHENSIVE INCOME		<u>4,768,272</u>	<u>5,803,380</u>



President
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April 22, 2011
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MICEX GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010 (in thousands of Russian rubles)

	Notes	December 31, 2010	December 31, 2009
ASSETS:			
Cash and cash equivalents	11, 24	160,462,572	191,509,835
Financial assets at fair value through profit or loss	12, 24	21,548,639	17,537,556
Due from banks	13, 24	9,066,179	11,317,996
Central counterparty financial assets	24	560,489	1,641,905
Investments available-for-sale	14, 24	10,585,578	43,767
Investments held to maturity	15	1,564,752	1,419,490
Investments in associates	16, 24	145,495	114,253
Property and equipment	17	5,452,174	5,504,024
Intangible assets	17	656,823	523,506
Other assets	18, 24	832,905	602,959
Non-current assets held for sale	19, 24	-	435,911
TOTAL ASSETS		210,875,606	230,651,202
LIABILITIES AND EQUITY			
LIABILITIES:			
Balances of market participants	20, 24	178,487,994	203,975,628
Central counterparty financial liabilities	24	560,489	1,641,905
Deferred income tax liabilities	10	435,881	418,430
Other liabilities	21, 24	3,619,026	1,369,062
Total liabilities		183,103,390	207,405,025
Equity attributable to equity holders of the parent:			
Share capital	22	1,574,654	1,399,704
Share premium	22	4,998	4,998
Foreign currency translation reserve		18	-
Investments revaluation reserve		(58,009)	-
Retained earnings		25,367,828	19,587,084
Total equity attributable to owners of the parent		26,889,489	20,991,786
Non-controlling interest	5	882,727	2,254,391
Total equity		27,772,216	23,246,177
TOTAL LIABILITIES AND EQUITY		210,875,606	230,651,202

President
Aganbegyan R.A.

April 22, 2011
Moscow

Chief Accountant
O.Yu. Gordiyenko

April 22, 2011
Moscow

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MICEX GROUP

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(in thousands of Russian rubles)**

	Notes	Share capital	Share premium	Investments revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
December 31, 2008		1,399,704	4,998	-	-	14,709,310	16,114,012	1,564,560	17,678,572
Dividends declared	22	-	-	-	-	(221,268)	(221,268)	-	(221,268)
Acquisition of non-controlling interest in the subsidiary	4	-	-	-	-	(3,623)	(3,623)	(10,884)	(14,507)
Total comprehensive income for the year		-	-	-	-	5,102,665	5,102,665	700,715	5,803,380
December 31, 2009		1,399,704	4,998	-	-	19,587,084	20,991,786	2,254,391	23,246,177
Dividends declared	22	-	-	-	-	(247,214)	(247,214)	(24,874)	(272,088)
Reorganization of the Group	4,22	174,950	-	-	-	1,591,482	1,766,432	(1,944,051)	(177,619)
Acquisition of subsidiary	4	-	-	-	-	-	-	207,474	207,474
Total comprehensive income for the year		-	-	(58,009)	18	4,436,476	4,378,485	389,787	4,768,272
December 31, 2010		1,574,654	4,998	(58,009)	18	25,367,828	26,889,489	882,727	27,772,216

President
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April 22, 2011
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April 22, 2011
Moscow

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MICEX GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 *(in thousands of Russian rubles)*

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		6,237,881	7,297,097
Adjustments for:			
Other provisions		772	6,401
Fair value adjustment on financial assets at fair value through profit or loss		52,939	(94,536)
Unrealized loss/(gain) on foreign exchange operations		1,838	(14,429,944)
Loss on disposal of property and equipment and intangible assets		103,552	14,522
Depreciation and amortization charge		525,490	441,633
Share of profits of associates		(30,192)	(24,938)
Gain on disposal of non-current assets held for sale		(2,299)	-
Impairment of investments held to maturity		(6,839)	(6,814)
Net change in interest accruals		(184,541)	1,205,496
Cash flows from operating activities before changes in operating assets and liabilities		6,698,601	(5,591,083)
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		2,248,233	(3,850,319)
Financial assets at fair value through profit or loss		(4,028,716)	(11,820,734)
Central counterparty financial assets		1,081,416	(1,641,905)
Other assets		408,304	150,380
Increase/(decrease) in operating liabilities:			
Balances of market participants		(27,116,750)	(143,014,609)
Central counterparty financial liabilities		(1,081,416)	1,641,905
Other liabilities		2,274,373	35,884
Cash outflow from operating activities before taxation		(19,515,955)	(164,090,481)
Income tax paid		(1,470,750)	(1,509,527)
Net cash outflow from operating activities		(20,986,705)	(165,600,008)

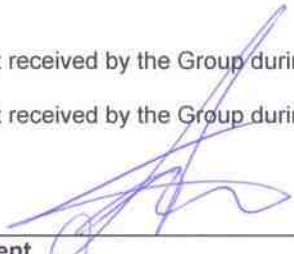
MICEX GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands of Russian rubles)

	Notes	Year ended December 31, 2010	Year ended December 31, 2009
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment and intangible assets		(684,313)	(2,261,634)
Gain from disposal of property and equipment and intangible assets		68,110	64,448
Proceed on disposal of non-current assets held for sale		438,210	-
Purchase of investments available-for-sale		(10,529,365)	(23,031)
Disposal of investments available-for-sale		-	7,612
Purchase of investments held to maturity		(52,978)	(1,195,980)
Reorganization of the Group		(177,619)	(14,507)
Acquisition of subsidiaries, net of cash acquired		5,612	(50,716)
Net cash outflow from investing activities		<u>(10,932,343)</u>	<u>(3,473,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		<u>(272,088)</u>	<u>(221,268)</u>
Net cash outflow from financing activities		<u>(272,088)</u>	<u>(221,268)</u>
Effect of changes in foreign exchange rates on cash and cash equivalents		<u>1,143,873</u>	<u>13,989,504</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(31,047,263)	(155,305,580)
CASH AND CASH EQUIVALENTS, beginning of year	11	<u>191,509,835</u>	<u>346,815,415</u>
CASH AND CASH EQUIVALENTS, end of year	11	<u>160,462,572</u>	<u>191,509,835</u>

Interest received by the Group during the year ended December 31, 2010 amounted to RUB 3,220,282 thousand.

Interest received by the Group during the year ended December 31, 2009 amounted to RUB 3,062,619 thousand.



President
Aganbegyan R.A.

April 22, 2011
Moscow



Chief Accountant
O.Yu. Gordiyenko

April 22, 2011
Moscow

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MICEX GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

(in thousands of Russian rubles, unless otherwise indicated)

1. ORGANIZATION

CJSC Moscow Interbank Currency Exchange ("MICEX") is a closed joint stock company that was incorporated in the Russian Federation (the "RF") in 1992. MICEX conducts its business under the following licences:

- Licence No. VB-01/92 issued by the Central Bank of the Russian Federation (the "CBR") on July 15, 1992 for the organization of sale-and-purchase operations in foreign currency traded for rubles and performance of settlements for the concluded deals;
- Addendum No.1 to Licence No. VB-01/92, dated March 10, 1998, issued by the CBR for the organization of sale-and-purchase operations in foreign currency traded for other foreign currencies and performance of settlements for the concluded deals;
- Licence No. 077-05870-000001 issued by the Federal Securities Commission on February 26, 2002 for the organization of trade in the securities market (stock market);
- Licence No. 077-05869-000010 issued by the Federal Securities Commission on February 26, 2002 for clearing activities (stock market);
- Licence No. 105 of March 17, 2000 issued by the Commission for Commodity Exchange under the RF Ministry for Antimonopoly Policy and Support of Entrepreneurship to organize exchange trading in the Derivatives (Standard Contracts) Market Section in the RF;
- Addendum to Licence No. 105, dated September 18, 2001, issued by the Commission for Commodity Exchange under the RF Ministry for Antimonopoly Policy and Support of Entrepreneurship to organize exchange trading in the RF in the following commodity sections: electric power, energy carriers (oil and oil-products, gas and gas condensates), ferrous/non-ferrous metals and alloys, construction materials, timber, crops, grain legumes, industrial crops, agricultural products, pharmaceuticals, hydroponic cultures.

MICEX Group ("Group") is an integrated exchange structure that provides electronic trade organization, clearing and settlements on trades, custodial and information services. The Group offers trading, clearing and settlement services on the following financial market segments: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market, government and municipal procurement market.

The legal address of MICEX: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

MICEX is a parent company of the Group, which includes the following enterprises consolidated in the financial statements:

Name	Country of operation	Voting shares held by the Group, %		Type of operation
		2010	2009	
CJSC MICEX	The Russian Federation		Parent	Currency exchange operations
Subsidiaries				
CJSC MICEX Stock Exchange (CJSC MICEX SE)	The Russian Federation	12.72	12.72	Stock exchange operations
NCO CJSC MICEX Settlement House	The Russian Federation	-	88.71	Settlement services to market participants
CJSC National Depository Center (CJSC NDC)	The Russian Federation	-	50.17	Custodial and clearing operations
NCO CJSC National Settlement Depository	The Russian Federation	99.96	-	Custodial, clearing and settlement operations
CJSC National Clearing Center (CJSC NCC)	The Russian Federation	100.00	100.00	Banking and clearing operations
CJSC MICEX – Ural Region Regional Exchange Center (CJSC MICEX – Ural Region)	The Russian Federation	100.00	100.00	Exchange activities
CJSC MICEX – Volga Region Regional Exchange Center (CJSC MICEX – Volga Region)	The Russian Federation	100.00	100.00	Exchange activities

Name	Country of operation	Voting shares held by the Group, %		Type of operation
		2010	2009	
LLC E-Stock	The Russian Federation	99.00	99.00	IT services
CJSC MICEX-Information Technologies	The Russian Federation	100.00	100.00	IT services, operator of electronic trading platform
CJSC PFTS Stock Exchange	Ukraine	50.02	-	Stock exchange operations
Associates				
CJSC National Mercantile Exchange (CJSC NAMEX)	The Russian Federation	33.24	33.24	Commodities exchange operations
CJSC Settlement Depository Company (CJSC SDC)	The Russian Federation	28.54	28.54	Custodial operations

On November 3, 2010 CJSC National Depository Center merged with NCO CJSC MICEX Settlement House. Simultaneously NCO CJSC MICEX Settlement House was renamed for CJSC National Settlement Depository. As a result of the merger, CJSC National Settlement Depository became legal successor of all the rights and obligations of CJSC National Depository Center.

The Group holds less than 50% of the shares of the fully consolidated subsidiary CJSC MICEX Stock Exchange, yet the Group is able to exercise control over the financial and operating policies of this subsidiary via common management.

The Group's companies hold licences for the following activities:

- Banking operations;
- Stock exchange operations;
- Clearing operations;
- Maintenance of cryptographic devices in the SWIFT system;
- Provision of cryptographic services to users of the SWIFT system;
- Custodial operations;
- Currency exchange operations;
- Mercantile exchange operations.

As at December 31, 2010 and 2009, the following shareholders owned voting shares of MICEX:

	December 31, 2010 %	December 31, 2009 %
Shareholders:		
The Central Bank of the Russian Federation	36.82	29.79
CJSC UniCredit Bank	11.38	12.74
State Corporation Bank of development and external economic activity (Vnesheconombank)	10.27	11.81
OJSC VTB Bank	6.96	7.91
Joint Stock Commercial Savings Bank of the Russian Federation Sberbank (Open Joint Stock Company)	6.74	7.54
OJSC Gazprombank	5.99	3.44
Joint Stock Commercial Bank ROSBANK (Open Joint Stock Company)	4.39	4.94
CJSC Joint-Stock Commercial Bank CentroCredit	3.70	4.28
JSC Bank Saint Petersburg	3.08	3.57
International Bank for Economic Cooperation	2.97	3.44
CJSC ING Bank Eurasia	0.53	-
Deutsche Bank LLC	0.53	-
Eurofinance Capital LLC	0.28	-
Joint Stock Commercial Bank The Bank of Moscow (Open Joint Stock Company)	0.27	0.18
Association of Russian banks	0.12	0.14
Joint Stock Commercial Bank JP Morgan Bank International	0.11	-
Open Joint Stock Company Sotsinvestbank	0.02	0.02
OJSC AUTOVAZBANK	-	3.44
Joint Stock Commercial Bank EUROFINANCE MOSNARBANK (nominal holder)	5.84	-
CJSC Depository Clearing Company (nominal holder)	-	6.76
Total	100.00	100.00

The total number of market participants as at December 31, 2010 and 2009 comprised of:

	December 31, 2010 (unaudited)	December 31,2009 (unaudited)
Stock market	649	654
Currency market	603	594
Government securities market	303	299
Money market	434	422
MICEX Derivatives (Standard Contracts) Market	166	166
Derivatives market of MICEX Stock Exchange	118	125
Total	2,273	2,260

Clients of the Group must meet the qualitative and quantitative qualification requirements that in order to obtain Exchange Member status and participate in trading directly. Due to these requirements the Client base primarily consists of professional market participants, namely banks and investment companies that have licences for professional market participation on appropriate market and licences for broker, dealer and/or securities management activities and meet special requirements established by the Group. Other legal entities and individuals may participate in trading as customers of Exchange Members.

These consolidated financial statements were authorized for issue by the President of MICEX on April 22, 2011.

2. BASIS OF PRESENTATION

Accounting basis

Statement of Compliance

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

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in thousands of Russian rubles (RUB '000), unless otherwise indicated. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

MICEX and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate.

These consolidated financial statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS. Transformation entries include certain reclassifications to reflect the economic substance of underlying transactions, including reclassifications of certain assets and liabilities, income and expenses to appropriate captions at the consolidated statement of financial position and consolidated income statement.

The Group presents its consolidated statement of financial position broadly in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of MICEX and entities controlled by MICEX (its subsidiaries) prepared as at December 31 each year. Control is achieved where MICEX has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of identifiable net assets is recognized as goodwill. Non-controlling interest is initially measured at the minority's proportion of the fair value of assets and liabilities. The difference, if any, between the carrying amount of non-controlling interest and the amount received on its purchase is recognized in equity attributable to the shareholders of the parent. Results of operations of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the Group.

All significant intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by MICEX.

Non-controlling interest is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from equity attributable to the parent.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and fair value of the consideration paid or received is recognised directly in equity attributed to the parent.

When the Group loses control in subsidiary, the profit or loss on disposal is calculated as a difference between (1) an aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying value of assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Recognition of revenue

Commission income

Commissions are recognized when services are provided.

Recognition of interest income

Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income on debt instruments is recognised using effective interest rate basis.

Once a financial asset has been written down (partly written down) as a result of an impairment, interest income is thereafter recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value and at amortised cost is classified within interest income.

Recognition of dividend income

Dividend income is recognized on the ex-dividend date (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day (with respect to December 31, 2010 and 2009, respectively, to January 11, 2011 and 2010 due to Russian statutory holidays.). Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the Central Bank of the Russian Federation, are not included in cash and cash equivalents.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'trade and other receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the financial asset and is included in the 'other operating income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 25.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) trade and other receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Shares and bonds held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also holds shares that are not traded in active market which are also classified as available-for-sale and are stated at fair value (as Management believes that it is possible to reliably estimate fair value of these instruments). Fair value of investments carried at fair value is determined in the manner described in Note 25. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. If an investment is disposed of or is determined to be impaired, cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delay of interest or principal payments; or
- It becoming probable that the debtor will enter bankruptcy or financial reorganisation; or
- Disappearance of an active market for that financial asset as a result of financial difficulties.

For financial assets carried at amortised cost, amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, receivables and investments held to maturity, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Effective from July 1, 2008, the Group was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans, trade and other receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans, trade and other receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of the Management, and is determined individually for each instrument.

Derecognition of financial assets

A financial asset (or, where applicable a part of the financial asset or part of a group of similar financial assets) is derecognized where:

- Rights to receive cash flows from the asset has expired;
- The Group has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer required that the Group either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Central counterparty financial assets and liabilities

The Group acts as a central counterparty and guarantees settlements of certain exchange currency transactions. These transactions are only executed between the Group and a clearing member. Receivables and liabilities on such deals that may be offset against a clearing member are reported net in accordance with IAS 32 and are recognized in the consolidated statement of financial position at the net fair value based on daily settlement prices.

Collateral of central counterparty

As the Group guarantees the settlement of certain traded contracts, it has established a multi-level collateral system. The central pillar of the collateral system is the daily determination of the overall risk per clearing member (margin) to be covered by cash collateral.

In addition to these daily collateral payments, each clearing member must make contributions to the risk-covering fund which is described in Note 27.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group does not have financial liabilities 'at FVTPL'.

Other financial liabilities

Other financial liabilities, including banks deposits and balances of market participants, issued debt securities, other loans and other liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Property and equipment

During the 2010 financial year Management determined as necessary that the useful lives of certain categories of equipment should be shortened, due to the practical experience of property and equipment usage. Property and equipment acquired after January 1, 2003 are carried at historical cost less accumulated depreciation and any impairment losses. Property and equipment acquired before January 1, 2003 are carried at historical cost restated for inflation less accumulated depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

	2010	2009
Buildings and other real estate	2%	2%
Furniture and computer equipment	20%	10%
Transport	20%	10%
Customer base	4%	4%
Software and licences	25%	25%

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Freehold land is not depreciated.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets, acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

The Group provides custodial services to its customers which include transactions with securities on their custody accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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

	December 31, 2010	December 31, 2009
RUB/1 USD	30.4769	30.2442
RUB/1 EUR	43.3331	43.3883
RUB/1 UAH	3.8282	3.7617

Equity reserves

The reserves recorded in equity at the Group's consolidated statement of financial position include:

- Investments revaluation reserve which comprises changes in fair value of investments available-for-sale;
- Foreign currency translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations, less hedging, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest that presents ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to January 1, 2010 were accounted for in accordance with the previous version of IFRS 3.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group. Losses may indicate an impairment of the transferred asset which requires appropriate allowance to be accounted for.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Held-to-maturity financial assets

The Management has reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying value of the held-to-maturity financial assets amounted to RUB 1,564,752 thousand. Details of these assets are set out in Note 15.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of receivables

The Group regularly reviews its receivables to assess for impairment. The Group's receivables impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables. The Group considers accounting estimates related to allowance for impairment of receivables a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired receivables are based on recent performance experience, and (b) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses Management's judgment to estimate the amount of any impairment loss in cases where the debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Group estimates changes in future cash flows based on past performance, past counterparty behavior, observable data indicating an adverse change in the payment status, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of receivables. The Group uses Management's judgment to adjust observable data for a group of receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at December 31, 2010 and 2009 the gross receivables totalled RUB 397,176 thousand and RUB 327,843 thousand, respectively, and allowance for impairment losses amounted to RUB 7,173 thousand and RUB 6,401 thousand, respectively.

Valuation of financial instruments

As described in Note 25, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 25 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was RUB 97,487 thousand.

Useful lives of property and equipment

As described above, the Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period. During the financial year 2010, the Management determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the consolidated depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	RUB'000
2010	142,962
2011	118,242
2012	106,413
2013	85,397

Recoverability of deferred tax assets

The Management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because they will be fully realised with more than 50% probability. The carrying value of deferred tax assets amounted to RUB 30,916 thousand and RUB 8,870 thousand as at December 31, 2010 and 2009, respectively.

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on December 31, 2010. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendment to IAS 1 "Presentation of Financial Statements": On September 6, 2007, the IASB issued an amendment to IAS 1 changing the way in which non-owner changes in equity must be presented. It also changes the titles of primary financial statements in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after January 1, 2009.

New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

<i>Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)</i>	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
<i>Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)</i>	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.
<i>Improvements to IFRSs issued in 2009</i>	Except for the amendments to IFRS 5, IAS 1 and IAS 7 described earlier, the application of <i>Improvements to IFRSs</i> issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.
<i>Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)</i>	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1	<i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> (Effective for annual periods beginning on or after July 1, 2010)
Amendments to IFRS 7	<i>Disclosures – Transfers of Financial Assets</i> (Effective for annual periods beginning on or after July 1, 2011)
IFRS 9 (as amended in 2010)	<i>Financial Instruments</i> (Effective for annual periods beginning on or after January 1, 2013)
IAS 24 (revised in 2009)	<i>Related Party Disclosures</i> (Effective for annual periods beginning on or after January 1, 2011)
Amendments to IAS 32	<i>Classification of Rights Issues</i> (Effective for annual periods beginning on or after February 1, 2010)
Amendments to IFRIC 14	<i>Prepayments of a Minimum Funding Requirement</i> (Effective for annual periods beginning on or after January 1, 2011)
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> (Effective for annual periods beginning on or after July 1, 2010)

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (2008), IFRS 7, IAS 1 and IAS 28 described earlier) are effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Management anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group.

However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

3. CHANGES IN COMPARATIVE INFORMATION

Assets and liabilities on operations where the Group acts as a central counterparty are reported net in accordance with IAS 32 and are recognized at net fair value based on daily settlement prices in the consolidated financial statements for the year ended December 31, 2010. Comparative information was modified accordingly:

	As previously reported December 31, 2009 (RUB '000)	Amount of revision December 31, 2009 (RUB '000)	Revised December 31, 2009 (RUB '000)
Central counterparty financial assets	-	1,641,905	1,641,905
Central counterparty financial liabilities	-	1,641,905	1,641,905

4. ACQUISITIONS

Acquisitions made in 2010

CJSC MICEX acquired additional issue of 1,601 ordinary shares of CJSC PFTS Stock Exchange at a price of RUB 189.89557 per share in 2010 which gave MICEX 50.01562% share in the company.

Assets acquired and liabilities recognized at the date of acquisition of CJSC PFTS Stock Exchange were as follows:

	RUB '000
Cash and cash equivalents	309,635
Accounts receivable	5,957
Prepaid expense	429
Investments available-for-sale	4,755
Property and equipment	10,564
Intangible assets	83,742
Other liabilities	(4)
Net assets	415,078
Share in net assets acquired	50.01562%
The cost of business combination	207,604

Goodwill on the acquisition

	RUB '000
Consideration transferred	304,023
Plus: Non-controlling interest	207,474
Less: Fair value of identifiable net assets acquired	(415,078)
Total	96,419

The Group recognized goodwill of RUB 96,419 thousand on the acquisition of CJSC PFTS Stock Exchange that stands for opportunities for the Group to enter the Ukraine stock exchange market. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill for this purchase is not deductible for tax purposes.

Net cash inflow on acquisition of shares of CJSC PFTS Stock Exchange

	Year ended December 31, 2009 (RUB '000)
Cash consideration paid	(304,023)
Less: cash and cash equivalents acquired	309,635
Total	5,612

Impact of the acquisition on Group financial results

The following amounts are recognized in the consolidated income statement for the year ended December 31, 2010 on operations of CJSC PFTS Stock Exchange acquired during the year: commission income of RUB 27,151 thousand, interest income of RUB 34,510 thousand, net profit of RUB 554 thousand.

Had this business combination been effected at January 1, 2010 the following amounts would have been recognized in the consolidated income statement for the year ended December 31, 2010 on operations of CJSC PFTS Stock Exchange: commission income of RUB 33,659 thousand, interest income of RUB 34,544 thousand, net profit of RUB 568 thousand. The Management considers these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

5. NON-CONTROLLING INTEREST

Non-controlling interest comprises:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Beginning of the year	2,254,391	1,564,560
Share of profit for the year	389,787	700,715
Acquisition of CJSC PFTS Stock Exchange (Note 4)	207,474	-
Acquisition of treasury shares by CJSC NDC	(75,535)	-
Acquisition of non-controlling interest in CJSC NDC and CJSC MICEX Settlement House	(71,025)	-
Shares issued by MICEX (Note 22)	(1,797,491)	-
Acquisition of non-controlling interest in CJSC NCC	-	(639)
Acquisition of non-controlling interest in CJSC NDC	-	(9,990)
Acquisition of control in LLC E-Stock	-	(255)
Dividends declared by CJSC MICEX SE	(24,874)	-
End of the year	882,727	2,254,391

6. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Fee and commission income:		
Organization of securities trading	4,209,357	3,853,087
Custodial services	1,630,826	1,264,904
Organization of currency market trading	1,214,562	1,518,618
Information services	155,944	150,104
Settlements	135,011	24,794
Listing services	75,793	66,388
Sale of software and technical services	41,688	90,985
Organization of derivatives market trading	21,220	12,862
Other	284,409	91,074
Total fee and commission income	7,768,810	7,072,816
Fee and commission expense:		
Organization of trading through regional stock exchange centers	(255,741)	(269,989)
Custodial services	(74,242)	(90,151)
Other	(38,518)	(44,995)
Total fee and commission expense	(368,501)	(405,135)

7. NET INTEREST INCOME

Net interest income comprises:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Interest income:		
Interest income on financial assets carried at amortized cost	1,846,494	3,368,759
Interest income on financial assets at fair value through profit or loss	1,235,377	659,643
Interest income on financial assets available-for-sale	324,724	-
Total interest income	3,406,595	4,028,402
Interest expense:		
Interest expense on financial liabilities carried at amortized cost	(1,772)	-
Total net interest income	3,404,823	4,028,402
Interest income on financial assets carried at amortized cost comprises:		
Interest on due from banks	1,645,429	3,253,227
Interest on debt securities held to maturity	201,065	115,532
Total interest income on assets carried at amortized cost	1,846,494	3,368,759

8. NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (loss)/gain on financial assets at fair value through profit or loss comprises:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Fair value adjustment	(52,939)	94,536
Dealing, net	<u>(25,125)</u>	<u>2,805</u>
Total net (loss)/gain on operations with financial assets at fair value through profit or loss	<u>(78,064)</u>	<u>97,341</u>

9. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses comprise:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Staff costs	2,195,245	1,802,419
Property and equipment maintenance and lease	662,522	540,090
Depreciation of property and equipment	434,427	297,893
Professional services	341,662	128,598
Taxes, other than income tax	179,223	142,758
Administrative expenses	171,654	152,988
Loss on disposal of property, equipment and intangible assets	103,552	14,522
Advertising costs	101,146	78,857
Amortisation of intangible assets	91,063	143,740
Business trip expenses	56,134	54,988
Charity	28,181	17,190
Security expenses	24,703	38,709
Other	<u>145,082</u>	<u>115,309</u>
Total administrative and other operating expenses	<u>4,534,594</u>	<u>3,528,061</u>

Professional services comprise consulting expenses, audit expenses, market-maker services and legal services.

10. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2010 and 2009 relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

The tax rate used for the reconciliations between tax expense and accounting profit for the years ended December 31, 2010 and 2009 above is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits under the tax law in that jurisdiction.

Russian income tax for 2010 and 2009 is measured at 20% of the estimated assessable profit for the year. As at December 31, 2010 and 2009, deferred income tax was calculated at the rate of 20%.

Temporary differences as at December 31, 2010 and 2009 comprise:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Tax effect from deductible temporary differences		
Financial assets at fair value through profit or loss	3,914	-
Financial assets held for sale (other comprehensive income components)	14,502	-
Financial assets held for sale (statement of financial position components)	2,186	-
Property and equipment and intangible assets	672	16,162
Other assets	14,424	14,643
Other liabilities	18,076	6,932
Total tax effect from deductible temporary differences	53,774	37,737
Tax effect from taxable temporary differences:		
Investments in associates and assets held for sale	(8,466)	(22,455)
Financial assets at fair value through profit or loss	(362)	(25,700)
Foreign currency translation reserve	(5)	-
Property and equipment and intangible assets	(449,906)	(393,599)
Other liabilities	-	(5,544)
Total tax effect from taxable temporary differences	(458,739)	(447,298)
Deferred income tax assets	30,916	8,870
Deferred income tax liabilities	(435,881)	(418,430)

Reconciliation of income tax expense and accounting profit for the years ended December 31, 2010 and 2009 are explained below:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
Profit before income tax	6,237,881	7,297,097
Tax at the statutory tax rate (20%)	1,247,576	1,459,419
Tax effect of permanent differences	171,009	39,540
Tax effect of income taxed at rates different from the prime rate	(6,967)	(5,242)
Income tax expense	1,411,618	1,493,717
Current income tax expense	1,401,716	1,496,890
Change in deferred income tax	9,902	(3,173)
Income tax expense	1,411,618	1,493,717
Deferred income tax assets/(liabilities)		
	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
As at January 1 – deferred tax assets	8,870	7,551
As at January 1 – deferred tax liabilities	(418,430)	(412,970)
Changes in deferred income tax balances recognized in other comprehensive income	14,497	-
Deferred income tax liabilities of acquired subsidiaries	-	(7,314)
Change in deferred income tax balances recognized in profit or loss	(9,902)	3,173
As at December 31- deferred tax assets	30,916	8,870
As at December 31- deferred tax liabilities	(435,881)	(418,430)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2010 (RUB '000)	December 31, 2009 (RUB '000)
Balances with the CBR	60,723,725	147,667,127
Correspondent accounts and overnight deposits with banks		
- Russian Federation	488,719	742,899
- in Organization for Economic Cooperation and Development countries	99,226,694	43,091,602
- other countries	16,248	-
Cash	7,186	8,207
Total cash and cash equivalents	160,462,572	191,509,835

As at December 31, 2010 and 2009, cash and cash equivalents comprise balances with two counterparties totaling RUB 141,366,808 thousand and RUB 173,631,574 thousand, respectively, which presents significant concentration.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	December 31, 2010 (RUB '000)		December 31, 2009 (RUB '000)	
	Coupon rate %	Amount	Coupon rate %	Amount
Debt securities of the CBR	-	20,151,276	-	15,094,741
Bonds of corporate issuers	5.87%-10.4%	1,237,483	7.35%-15%	1,492,751
Debt securities of commercial banks	7.2%-8.1%	82,916	-	-
Debt securities of local authorities	6.98%-10.4%	76,964	7.89%-10%	365,676
Government debt securities	-	-	0%-5.8%	584,388
Total financial assets at fair value through profit or loss		21,548,639		17,537,556

13. DUE FROM BANKS

As at December 31, 2010 and 2009, balances due from banks comprise time deposits placed by the Group with banks of RUB 9,066,179 thousand and RUB 11,317,996 thousand, respectively.

As at December 31, 2010 and 2009, included in the balances due from banks were overnight deposits with top rated US banks that comprise cash placed by the market participants in the risk-covering fund with the Group (Note 20).

14. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	December 31, 2010 (RUB '000)		December 31, 2009 (RUB '000)	
	Coupon rate %	Amount	Coupon rate %	Amount
Bonds of corporate issuers	5.87%-16.75%	4,395,728	-	-
Bonds of commercial banks	6.90%-13.5%	2,468,848	-	-
Eurobonds of Bank of development	1.48%	1,527,853	-	-
Bonds of local authorities	6.5%-13.25%	1,425,202	-	-
Bonds of the Ministry of Finance of the RF	4.59%-6.10%	387,635	-	-
Bonds of the CBR	-	299,820	-	-
Contributions to share capital		69,018		36,185
Other equity investments		11,474		7,582
Total investments available-for-sale		10,585,578		43,767

Contributions to share capital comprise:

	December 31, 2010		December 31, 2009	
	Ownership interest, %	Carrying value (RUB '000)	Ownership interest, %	Carrying value (RUB '000)
CJSC MICEX – Northwest Regional Exchange Center	100.00%	33,000	-	-
CJSC MICEX – Siberia Regional Exchange Center	100.00%	22,000	100.00%	22,000
CJSC MICEX – SOUTH Regional Exchange Center	100.00%	9,842	100.00%	9,842
CJSC MICEX – Far East Regional Exchange Center	79.95%	3,800	79.95%	3,800
LLC PFTS NT	42.51%	196	-	-
CJSC Petersburg Settlement Centre	9.00%	180	9.00%	180
Other		-		363
Total contributions to share capital		69,018		36,185

Companies listed above were not consolidated in the Group's consolidated financial statements as at December 31, 2010 and 2009 as the effect of the consolidation would be not significant.

Other equity investments comprise MICEX investments in less than 5% share in equity of SWIFT, CJSC Saint-Petersburg Currency Exchange, JSC «UKRAINIAN SECURITIES DEPOSITORY», CJSC «UKRAINIAN SECURITIES DEPOSITORY».

15. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	December 31, 2010		December 31, 2009	
	Coupon rate %	Amount	Coupon rate %	Amount
Government debt securities	7.95%-13.25%	596,221	5.80%-11.90%	605,799
Corporate debt securities	7.00%-16.75%	555,113	7.00%-9.30%	354,316
Debt securities of local authorities	7.95%-13.25%	413,418	7.95%-11.64%	466,214
		1,564,752		1,426,329
Less allowance for impairment losses		-		(6,839)
Total investments held to maturity		1,564,752		1,419,490

The change in the allowance for impairment of investments held to maturity is reported in other operating expenses.

In accordance with the amendments to IAS 39 and IFRS 7 issued on October 15, 2008, the Group reclassified a portion of debt securities out of financial assets at fair value through profit or loss to investments held to maturity

As at December 31, 2010 and 2009, the carrying amount of reclassified securities amounted to RUB 138,733 thousand and RUB 351,715 thousand, respectively. If this reclassification had not been made, the Group's consolidated income statement for 2010 would have included positive revaluation of securities in the amount of RUB 8,901 thousand (2009: negative revaluation of RUB 5,230 thousand).

16. INVESTMENTS IN ASSOCIATES

Investments in associates as at December 31, 2010 and 2009 comprise:

	December 31, 2010		December 31, 2009	
	Ownership interest, %	Carrying value (RUB '000)	Ownership interest, %	Carrying value (RUB '000)
CJSC Settlement Depository Company (CJSC SDC)	28.54%	126,906	28.54%	114,253
CJSC National Mercantile Exchange (CJSC NAMEX)	33.24%	18,589	-	-
Total investments in associates		145,495		114,253

A reconciliation of the carrying value of investments in associates as at December 31, 2010 and 2009 comprises:

	(RUB '000)
At December 31, 2008	525,226
The Group's share in CJSC Depository Clearance Center (CJSC DCC) financial results net of income tax	18,617
The Group's share in CJSC SDC financial results net of income tax	6,321
Shares of CJSC DCC reclassified as non-current assets held for sale	(435,911)
At December 31, 2009	114,253
The Group's share in CJSC SDC financial results net of income tax	12,653
Reclassification of cost of shares of CJSC NAMEX from investments available-for-sale to investments in associated companies	1,050
Accumulated effect of application of equity method to investments in CJSC NAMEX as at January 1, 2010	16,796
The Group's share in CJSC NAMEX financial results net of income tax	743
At December 31, 2010	145,495

As at December 31, 2010 and for the year then ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

Associate	Total associate assets (RUB '000)	Total associate liabilities (RUB '000)	Associate revenue (RUB '000)	Associate net profit (RUB '000)
CJSC Settlement Depository Company	3,668,457	3,256,598	113,870	47,670
CJSC National Mercantile Exchange	59,830	3,903	14,283	2,234

As at December 31, 2009 and for the year then ended, assets, liabilities, revenue and net profit of the associates are presented as follows:

Associate	Total associate assets (RUB '000)	Total associate liabilities (RUB '000)	Associate revenue (RUB '000)	Associate net profit (RUB '000)
CJSC Settlement Depository Company	1,023,067	658,576	77,832	22,147
CJSC National Mercantile Exchange	388,531	334,838	124,409	19,236

17. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment comprise:

	Land (RUB '000)	Buildings and other real estate (RUB '000)	Furniture and equipment (RUB '000)	Total (RUB '000)
At initial/indexed cost				
December 31, 2008	-	3,149,943	2,589,132	5,739,075
Acquisition through purchasing of subsidiary company	-	-	1,931	1,931
Additions	-	1,758,626	345,193	2,103,819
Disposals	-	(49,030)	(345,511)	(394,541)
December 31, 2009	-	4,859,539	2,590,745	7,450,284
Acquisition through purchasing of subsidiary company	-	-	10,564	10,564
Additions	104,354	8,973	293,480	406,807
Disposals	-	(4,008)	(165,408)	(169,416)
December 31, 2010	104,354	4,864,504	2,729,381	7,698,239
Accumulated depreciation				
December 31, 2008	-	539,263	1,432,922	1,972,185
Charge for the period	-	67,453	230,440	297,893
Eliminated on disposal	-	(9)	(323,809)	(323,818)
December 31, 2009	-	606,707	1,339,553	1,946,260
Charge for the period	-	64,065	370,362	434,427
Eliminated on disposal	-	-	(134,622)	(134,622)
December 31, 2010	-	670,772	1,575,293	2,246,065
Net book value				
December 31, 2009	-	4,252,832	1,251,192	5,504,024
December 31, 2010	104,354	4,193,732	1,154,088	5,452,174

As at December 31, 2010 and 2009, fully depreciated property and equipment with a historical cost amounted to RUB 621,711 thousand and RUB 213,336 thousand, respectively.

Intangible assets comprise:

	Software and licences (RUB '000)	Client base (RUB '000)	Rights to buy long-term land plot lease (RUB '000)	Total (RUB '000)
At initial/indexed cost				
December 31, 2008	495,283	132,118	58,581	685,982
Acquisition through purchasing of subsidiary company	2,360	61,476	-	63,836
Additions	157,815	-	-	157,815
Disposals	(13,266)	-	-	(13,266)
December 31, 2009	642,192	193,594	58,581	894,367
Acquisition through purchasing of subsidiary company	83,742	-	-	83,742
Additions	277,506	-	-	277,506
Disposals	(320,631)	-	(58,581)	(379,212)
December 31, 2010	682,809	193,594	-	876,403
Accumulated depreciation				
December 31, 2008	221,368	5,286	5,486	232,140
Charge for the period	136,781	5,284	1,675	143,740
Eliminated on disposal	(5,019)	-	-	(5,019)
December 31, 2009	353,130	10,570	7,161	370,861
Charge for the period	83,320	7,743	-	91,063
Eliminated on disposal	(235,183)	-	(7,161)	(242,344)
December 31, 2010	201,267	18,313	-	219,580
Net book value				
December 31, 2009	289,062	183,024	51,420	523,506
December 31, 2010	481,542	175,281	-	656,823

18. OTHER ASSETS

Other assets comprise:

	December 31, 2010 (RUB '000)	December 31, 2009 (RUB '000)
Other financial assets:		
Receivables on services rendered and other operations	397,176	327,537
Minimum reserve deposits with the CBR	25,216	306
	<u>422,392</u>	<u>327,843</u>
Less allowance for impairment losses	(7,173)	(6,401)
Total other financial assets	415,219	321,442
Other non-financial assets:		
Current income tax asset	122,217	62,988
Goodwill	97,487	1,068
Prepaid expenses	87,147	75,147
Taxes receivable, other than income tax	70,642	116,967
Deferred income tax asset	30,916	8,870
Other	9,277	16,477
	<u>832,905</u>	<u>602,959</u>
Total other assets	832,905	602,959

Goodwill comprises:

	Year ended December 31, 2010 (RUB '000)	Year ended December 31, 2009 (RUB '000)
As at January 1	1,068	1,068
Recognized on acquisition of a subsidiary CJSC PFTS Stock Exchange (Note 4)	<u>96,419</u>	<u>-</u>
As at December 31	<u><u>97,487</u></u>	<u><u>1,068</u></u>

19. NON-CURRENT ASSETS HELD FOR SALE

As at December 31, 2009, included in non-current assets held for sale was investment in 37.29% shares of CJSC Depository Clearing Company. The Group approved sale of the investments in December 2009. In June 2010 the Group disposed of the shares to a third party at a price of RUB 438,210 thousand. Gain on disposal of RUB 2,299 thousand was reported in other operating income for the period.

20. BALANCES OF MARKET PARTICIPANTS

Balances of market participants comprise:

	December 31, 2010 (RUB '000)	December 31, 2009 (RUB '000)
Current accounts and settlements	130,722,883	140,722,181
Cash collateral by market participants (margin) (Note 27)	44,185,712	50,674,230
Margin call on futures contracts	3,047,707	12,142,423
Risk-covering fund	458,982	436,775
Time deposits	<u>72,710</u>	<u>19</u>
Total balances of market participants	<u><u>178,487,994</u></u>	<u><u>203,975,628</u></u>

The Group places cash received from the market participants in the risk-covering fund with top-rated banks and is restricted (Notes 13, 27).

21. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2010 (RUB '000)	December 31, 2009 (RUB '000)
Other financial liabilities:		
Distributions payable to holders of securities	2,993,020	805,113
Employee compensation payable	91,373	73,897
Accrued commission expense	<u>53,529</u>	<u>16,064</u>
Total other financial liabilities:	3,137,922	895,074
Other non-financial liabilities:		
Taxes payable, other than income tax	341,899	310,957
Commission income received in arrears	129,267	117,285
Current income tax liabilities	2,805	12,610
Other	<u>7,133</u>	<u>33,136</u>
Total other liabilities	<u><u>3,619,026</u></u>	<u><u>1,369,062</u></u>

In a role of a registrar the Group performs payments of dividends, coupon and nominal value of debt securities at maturities to securities' holders.

22. SHARE CAPITAL, SHARE PREMIUM AND RETAINED EARNINGS

The share capital of CJSC MICEX comprises ordinary shares with a par value of RUB 10 thousand each:

	Authorized and issued share capital (number of shares)	Total share capital (number of shares)
December 31, 2008	111,415	111,415
December 31, 2009	111,415	111,415
Issue of additional stocks	17,640	17,495
December 31, 2010	129,055	128,910

Share premium represents an excess of contributions received over the nominal value of shares issued. As at December 31, 2010 and 2009, share premium amounted to RUB 4,998 thousand.

CJSC MICEX made an additional issue of 17,495 ordinary shares in September 2010. The shares were distributed to the existing shareholders of CJSC MICEX and were paid in a form of shares of NCO CJSC MICEX Settlement House and CJSC National Depository Center. As a result the Group recognized a decrease of non-controlling interest in NCO CJSC MICEX Settlement House and CJSC National Depository Center of RUB 1,797,491 thousand (Note 5).

In 2010 and 2009, CJSC MICEX declared and paid dividends on ordinary shares of RUB 247,214 thousand and RUB 221,268 thousand for 2010 and 2009, respectively.

In 2010 CJSC MICEX Stock Exchange declared and paid dividends on ordinary shares to non-controlling interest of RUB 24,874 thousand for 2010. No dividends were declared in 2009.

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies. The reserve fund balances of the Group companies as at December 31, 2010 and 2009 totalled RUB 437,572 thousand and RUB 277,400 thousand, respectively.

23. COMMITMENTS AND CONTINGENCIES

Fiduciary assets – These assets are not recorded on the consolidated statement of financial position since these are not the Group's assets. Fiduciary assets comprise:

	Fair value (unaudited)	
	December 31, 2010 (RUB mln)	December 31, 2009 (RUB mln)
Corporate bonds	2,581,417	2,214,752
OFZ bonds	2,154,176	1,569,749
Corporate shares	1,750,491	1,367,399
Bonds of the Central Bank of the Russian Federation	593,172	290,661
Municipal bonds	424,045	386,725
Eurobonds	157,926	219,648
Units of mutual investment funds	56,607	36,875
Total	7,717,834	6,085,809

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of premises, parking slots and cars are as follows:

	December 31, 2010 (RUB '000)	December 31, 2009 (RUB '000)
Less than 1 year	265,997	229,852
More than 1 year and no more than 5 years	64,128	234,670
Total operating lease commitments	330,125	464,522

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to take decisions based on their own arbitrary interpretations of these provisions. In practice, the Russian tax authorities often do not interpret the tax legislation in favor of the taxpayers, who have to resort to court proceedings to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concepts of “unjustified tax benefit” and “primary commercial goal of transaction” and the criteria of “commercial purpose/substance of transaction”.

The Management's interpretation of such legislation as applied to its operations and activity may be challenged by the relevant regional and federal authorities. The 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. As a result, significant additional taxes, penalties and interest may be assessed. Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes.

The Group's Management believes its interpretation of the relevant legislation is appropriate and that the tax positions of the Group will be confirmed. Thus, no valuation allowance had been recorded as at December 31, 2010 and 2009.

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

Economic environment – The Group's principal business activities are within the RF. Laws and regulations affecting the business environment in the RF are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Operating environment – Emerging markets such as RF are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in RF and the RF's economy in general.

Laws and regulations affecting businesses in RF continue to change rapidly. Tax, currency and customs legislation within RF are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in RF. The future economic direction of RF is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected RF's financial and capital markets in 2008 and 2009 has receded and RF's economy returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the RF's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Legal proceedings – From time to time and in the normal course of business, claims against the Group may be received from customers and counterparties. The Management is of the opinion that such claims may not have a material impact on its financial and operational activities and that no material losses will be incurred, and accordingly no provision has been made in these consolidated financial statements.

24. TRANSACTIONS WITH RELATED PARTIES

Intragroup transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Included in the consolidated statement of financial position as at December 31, 2010 and 2009 are the following amounts that arose due to transactions with related parties:

	December 31, 2010 (RUB '000)		December 31, 2009 (RUB '000)	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	61,033,145	160,462,572	147,564,601	191,509,835
- shareholders	61,033,145		147,149,390	
- non-consolidated subsidiaries	-		415,211	
Financial assets at fair value through profit or loss	20,476,353	21,548,639	15,094,741	17,537,556
- shareholders	20,476,353		15,094,741	
Due from banks	4,438,728	9,066,179	6,466,955	11,317,996
- shareholders	4,438,728		6,466,761	
- non-consolidated subsidiaries	-		194	
Central counterparty financial assets	196,806	560,489	179,718	1,641,905
- shareholders	196,806		179,718	
Investments available-for-sale	2,307,686	10,585,578	35,643	43,767
- shareholders	2,239,043		-	
- non-consolidated subsidiaries	68,643		35,643	
Investments in associates	145,495	145,495	114,253	114,253
- associates	145,495		114,253	
Other assets	12,550	832,905	175,946	602,959
- shareholders	12,414		19,925	
- associates	108		5,022	
- non-consolidated subsidiaries	28		150,999	
Non-current assets held for sale	-	-	435,911	435,911
- associates	-		435,911	
Balances of market participants	19,543,017	178,487,994	36,258,302	203,975,628
- shareholders	19,467,966		35,629,178	
- non-consolidated subsidiaries	45,958		629,124	
- associates	29,093		-	
Central counterparty financial liabilities	30,031	560,489	96,348	1,641,905
- shareholders	30,031		96,348	
Other liabilities	27,183	3,619,026	20,081	1,369,062
- shareholders	3,133		10,921	
- associates	10,880		4	
- non-consolidated subsidiaries	13,170		9,156	

Included in the consolidated income statement for the years ended December 31, 2010 and 2009 were the following amounts that arose on transactions with related parties:

	December 31, 2010 (RUB '000)		December 31, 2009 (RUB '000)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Commission income	1,379,627	7,768,810	969,937	7,072,816
- shareholders	1,366,646		920,593	
- associates	7,709		49,344	
- non-consolidated subsidiaries	5,272		-	
Interest income	2,254,440	3,406,595	3,117,442	4,028,402
- shareholders	2,254,440		3,117,442	
Interest expense	(1,772)	(1,772)	-	-
- non-consolidated subsidiaries	(1,772)		-	
Administrative and other operating expenses	(301,068)	(4,534,594)	(270,474)	(3,528,061)
- shareholders	(3,196)		(14,705)	
- associates	-		(33)	
- non-consolidated subsidiaries	(2,703)		(19,550)	
- remuneration to the members of the Management Board and the Board of Directors (short-term benefits)	(295,169)		(236,186)	
Commission expenses	(141,322)	(368,501)	(45,205)	(405,135)
- shareholders	(393)		(203)	
- associates	(137,677)		-	
- non-consolidated subsidiaries	(3,252)		(45,002)	
Share of profits of associates	30,192	30,192	24,938	24,938
- associates	30,192		24,938	

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in forced or liquidation sale.

Except as detailed below, Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value:

	December 31, 2010		December 31, 2009	
	Carrying value (RUB '000)	Fair value (RUB '000)	Carrying value (RUB '000)	Fair value (RUB '000)
Investments held to maturity	1,564,752	1,756,320	1,419,490	1,522,457

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed debt securities);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- For short-term (less than 3 months) financial assets and liabilities the balance value approximately equals the fair value. This assumption is used with deposit money and current accounts that do not have maturity.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Quoted prices in active market (Level 1) (RUB '000)	December 31, 2010 Valuation techniques based on observable market data (Level 2) (RUB '000)	Valuation techniques incorporating information other than observable market data (Level 3) (RUB' 000)
Financial assets at fair value through profit or loss	21,548,639	-	-
Central counterparty financial assets	560,489	-	-
Investments available-for-sale	10,505,086	-	-

	Quoted prices in active market (Level 1) (RUB '000)	December 31, 2009 Valuation techniques based on observable market data (Level 2) (RUB '000)	Valuation techniques incorporating information other than observable market data (Level 3) (RUB' 000)
Financial assets at fair value through profit or loss	17,537,556	-	-
Central counterparty financial assets	1,641,905	-	-

Excluded from the table above were investments in equity securities of unlisted entities classified as available-for-sale securities. The fair value of such securities is not readily measurable accordingly such investments are carried at cost of RUB 80,492 thousand and RUB 43,767 thousand as at 31 December 2010 and 2009, respectively.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern and keep the required balance between ensuring financial stability in any economic environment, minimizing expenses of the market participants and ensuring a high level of return to stakeholders, as well as compliance with the capital adequacy requirements as established by the Federal Service for Financial Markets with respect to professional players operating in the securities market.

The capital structure of the Group consists of the shareholder's equity, which includes capital issued, reserves and retained earnings.

Issues related to the Group's capital structure are reviewed by the Board of Directors. As a part of this review, the Board of Directors considers capital adequacy and the risks associated with each class of capital. Based on recommendations from the Board of Directors, the Group balances its overall capital structure through the payment of dividends, new share issues or repurchase of treasury shares.

The Group's overall capital risk management policy remains unchanged from 2009.

27. RISK MANAGEMENT POLICIES

Risk management is a material element of the Group's activities and is applied to the following financial and non-financial risks inherent to the Group's activity: credit, market, geographic, currency, liquidity and interest rate risks. The main objective of financial risk management is to determine and assess the risk zones and exposure, develop risk management policies, create risk controls, including setting of limits and further ensure compliance with the established limits.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. A description of the Group's risk management policies in relation to those risks is as follows. Through the risk management framework, the Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk arises when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources for settlements of market participants.

According to the liquidity management policy, funds provided by customers are invested by the Group in overnight deposits with reliable banks only. Therefore, the Group maintains cash and short-term funds with banks at a level necessary to meet all the obligations on the above claims at one time. The Management Board of CJSC MICEX manages liquidity risk.

The table below presents the analysis of liquidity risk as follows:

- The remaining term to maturity of financial liabilities is estimated as the earliest date on which the Group will be liable to redeem the liability;
- Estimated term till maturity of financial assets is calculated on the basis of contractual maturities, except where the Group anticipates that the cash flow will occur in a different period. Investments available-for-sale are classified within '3 months to 1 year' the term except for contributions to share capital that are classified within 'Maturity undefined'.

An analysis of liquidity risk is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2010 Total (RUB '000)
FINANCIAL ASSETS:						
Cash and cash equivalents	160,462,572	-	-	-	-	160,462,572
Financial assets at fair value through profit or loss	21,548,639	-	-	-	-	21,548,639
Due from banks	1,141,395	1,945,698	5,682,361	296,725	-	9,066,179
Central counterparty financial assets	560,489	-	-	-	-	560,489
Investments available-for-sale	-	-	10,505,086	-	80,492	10,585,578
Investments held to maturity	41,855	-	1,522,897	-	-	1,564,752
Other financial assets	278,588	45,030	56,461	9,908	25,232	415,219
TOTAL FINANCIAL ASSETS	184,033,538	1,990,728	17,766,805	306,633	105,724	204,203,428
FINANCIAL LIABILITIES:						
Balances of market participants	178,487,994	-	-	-	-	178,487,994
Central counterparty financial liabilities	560,489	-	-	-	-	560,489
Other financial liabilities	3,111,423	9,068	17,431	-	-	3,137,922
TOTAL FINANCIAL LIABILITIES	182,159,906	9,068	17,431	-	-	182,186,405
Liquidity gap	1,873,631	1,981,660	17,749,374	306,633	105,724	
Cumulative liquidity gap	1,873,631	3,855,292	21,604,666	21,911,299	22,017,023	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2009 Total (RUB '000)
FINANCIAL ASSETS:						
Cash and cash equivalents	191,509,835	-	-	-	-	191,509,835
Financial assets at fair value through profit or loss	17,537,556	-	-	-	-	17,537,556
Due from banks	5,097,543	2,603,318	3,617,135	-	-	11,317,996
Central counterparty financial assets	1,641,905	-	-	-	-	1,641,905
Investments available-for-sale	-	-	-	-	43,767	43,767
Investments held to maturity	-	26,199	77,212	1,316,079	-	1,419,490
Other financial assets	83,491	168,758	57,699	11,494	-	321,442
TOTAL FINANCIAL ASSETS	215,870,330	2,798,275	3,752,046	1,327,573	43,767	223,791,991
FINANCIAL LIABILITIES:						
Balances of market participants	203,975,628	-	-	-	-	203,975,628
Central counterparty financial liabilities	1,641,905	-	-	-	-	1,641,905
Other financial liabilities	755,937	139,007	-	130	-	895,074
TOTAL FINANCIAL LIABILITIES	206,373,470	139,007	-	130	-	206,512,607
Liquidity gap	9,496,860	2,659,268	3,752,046	1,327,443	43,767	
Cumulative liquidity gap	9,496,860	12,156,128	15,908,174	17,235,617	17,279,384	

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above. Maturities of such liabilities are less than 3 months after the reporting date.

Interest rate risk

The Group does not have material interest bearing liabilities. Interest rates on due from banks are fixed and set for a short period of time. The Group's assets with sensitivity to the interest rate risk consist of trading portfolio of high-liquidity debt. MICEX Management controls interest rate risk on the Group level.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management's assessment of the reasonably possible change in interest rates.

	December 31, 2010		December 31, 2009	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Impact on profit before tax				
Financial assets at fair value through profit or loss	(76,942)	82,166	(277,791)	296,820
Financial assets available-for-sale	(173,159)	177,797	-	-
Impact on equity				
Financial assets at fair value through profit or loss	(61,554)	65,733	(222,233)	237,456
Financial assets available-for-sale	(138,527)	142,238	-	-

The Group's sensitivity to interest rates has increased during the current period due to the increase in balance value of debt securities.

Price risk

Price risk is the risk that the value of equity will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

As the consolidated statement of financial position of the Group does not contain any investments in equity and interests in other companies measured at fair value, the Management believes that this risk does not affect the Group's financial position.

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group controls credit risk by setting limits on a counterparty or on a group of related counterparties. The Group monitors such risks on a regular basis and revises the limits. Credit risk limits are approved by the Management Board of CJSC MICEX based on the credit risk management system that is approved by the MICEX Board of Directors. Credit risk is managed by means of regular analysis of the existing and potential counterparties' ability to repay interest and the principal amount of debt and, if required, by means of changing the credit limits.

To safeguard the Group against the risk of default by the clearing member before it has settled its outstanding transactions, the clearing conditions require the clearing member to deposit margins and collateral in the form of cash or securities on a daily basis or an intraday basis in the amount stipulated by the Group (Note 20).

In addition to providing margin and collateral payments for current transactions, each clearing member must contribute to a risk-covering fund. The risk-covering fund (Note 20) provides collective protection against the financial consequences of any default or loss of a clearing member that is not covered by the individual margins of the clearing member concerned.

Maximum credit risk exposure

The Group's maximum exposure to credit risk equals to the carrying value of assets that bear credit risk and varies depending on both individual risks and general market economy risks.

As at December 31, 2010 and 2009, the Group had no overdue receivables or other overdue monetary assets carried at amortised cost.

Financial assets are graded according to the current credit rating that has been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at December 31, 2010:

	AAA	AA	A	BBB	<BBB-	Not rated	December 31, 2010 (RUB '000)
Cash and cash equivalents	-	79,587,780	391,900	78,781,871	1,693,835	-	160,455,386
Financial assets and liabilities at fair value through profit or loss	-	-	-	20,732,534	778,367	37,738	21,548,639
Due from banks	-	458,982	-	6,225,475	2,381,723	-	9,066,179
Central counterparty financial assets	14,684	35,453	-	191,098	172,467	146,787	560,489
Investments available for sale	-	-	-	7,142,521	3,362,565	-	10,505,086
Investments held to maturity	-	-	-	1,179,639	385,113	-	1,564,752

The following table details the credit ratings of financial assets held by the Group as at December 31, 2009:

	AA	A	BBB	<BBB-	Not rated	December 31, 2009 (RUB '000)
Cash and cash equivalents	23,746,129	-	166,537,161	446,435	771,903	191,501,628
Financial assets and liabilities at fair value through profit or loss	-	-	17,173,037	364,519	-	17,537,556
Due from banks	2,575,979	-	7,412,155	1,329,397	465	11,317,996
Central counterparty financial assets	386,256	65,180	649,212	347,986	193,271	1,641,905
Investments held to maturity	-	-	1,218,735	200,051	704	1,419,490

Currency risk

The Group takes on exposure to the 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 assumed risk by currencies and generally and monitors compliance on a daily basis.

Currency risk sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the RUB against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RUB strengthens 10% against the relevant currency. For a 10% weakening of the RUB against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	USD impact		EUR impact	
	2010 10%	2009 10%	2010 10%	2009 10%
(Loss)/profit before tax	(38,683)	28,614	37,881	20,259
Equity	(30,947)	22,891	30,305	16,207

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	USD USD 1 = RUB 30.4769	EUR EUR 1 = RUB 43.3310	Other currency	December 31, 2010 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	61,787,495	77,325,396	21,258,502	91,179	160,462,572
Financial assets at fair value through profit or loss	21,548,639	-	-	-	21,548,639
Due from banks	7,691,979	1,077,475	-	296,725	9,066,179
Central counterparty financial assets	340	340,487	219,662	-	560,489
Investments available-for-sale	9,056,615	1,523,845	540	4,578	10,585,578
Investments held to maturity	1,564,752	-	-	-	1,564,752
Other financial assets	363,597	33,259	15,515	2,848	415,219
TOTAL FINANCIAL ASSETS	102,013,417	80,300,462	21,494,219	395,330	204,203,428
FINANCIAL LIABILITIES:					
Balances of market participants	76,640,525	80,664,936	21,106,075	76,458	178,487,994
Central counterparty financial liabilities	553,289	7,200	-	-	560,489
Other financial liabilities	3,112,214	15,159	9,336	1,213	3,137,922
TOTAL FINANCIAL LIABILITIES	80,306,028	80,687,295	21,115,411	77,671	182,186,405
OPEN BALANCE POSITION	21,707,389	(386,833)	378,808	317,659	
Central counterparty operations before IAS 32 netting					
Assets	221,458,866	194,392,098	30,793,870	-	446,644,834
Liabilities	220,905,917	194,725,385	31,013,532	-	446,644,834
Net position	552,949	(333,287)	(219,662)	-	-
NET TOTAL OPEN POSITION	22,260,338	(720,120)	159,146	317,659	

	RUB	USD USD 1 = RUB 30.2442	EUR EUR 1 = RUB 43.3883	Other currency	December 31, 2009 Total (RUB '000)
FINANCIAL ASSETS:					
Cash and cash equivalents	64,639,450	98,574,837	28,295,038	510	191,509,835
Financial assets at fair value through profit or loss	17,537,556	-	-	-	17,537,556
Due from banks	11,251,286	66,710	-	-	11,317,996
Central counterparty financial assets	2,054	1,553,808	86,043	-	1,641,905
Investments available-for-sale	43,186	-	581	-	43,767
Investments held to maturity	1,419,490	-	-	-	1,419,490
Other financial assets	306,708	1,600	13,135	-	321,442
TOTAL FINANCIAL ASSETS	95,199,730	100,196,955	28,394,797	510	223,791,991
FINANCIAL LIABILITIES:					
Balances of market participants	77,516,197	98,382,811	28,076,620	-	203,975,628
Central counterparty financial liabilities	1,512	1,526,109	114,284	-	1,641,905
Other financial liabilities	891,868	1,900	1,306	-	895,074
TOTAL FINANCIAL LIABILITIES	78,409,577	99,910,820	28,192,210	-	206,512,607
OPEN BALANCE POSITION	16,790,153	286,135	202,587	510	
Central counterparty operations before IAS 32 netting					
Assets	221,457,152	193,178,777	30,927,489	-	445,563,418
Liabilities	221,457,694	193,206,476	30,899,248	-	445,563,418
Net position	(542)	(27,699)	28,241	-	-
NET TOTAL OPEN POSITION	16,789,611	258,436	230,828	510	

Geographical concentration

All assets and liabilities of the Group as at December 31, 2010 and 2009 consist of balances on operations in the Russian Federation, except for:

- Correspondent accounts and deposits with top OECD banks, which are reported in cash and cash equivalents (Note 11);
- Funds in the risk-covering fund and other deposits with top OECD banks, which are reported in balances due from banks of RUB 467,890 thousand and RUB 524,778 thousand as at December 31, 2010 and 2009, respectively (Note 13); and
- Balances placed by CJSC PFTS Stock Exchange with one of the top Ukrainian banks that are reported in cash and cash equivalents of RUB 16,248 thousand and in balances due from banks of RUB 296,725 thousand as at December 31, 2010.

28. SUBSEQUENT EVENTS

On February 16, 2011, the Board of Directors of CJSC MICEX approved a decrease of MICEX share in equity of CJSC MICEX Stock Exchange to 1 ordinary share. This will be achieved by contributing of 12,715 shares of CJSC MICEX Stock Exchange with a total market value of RUB 3,331,330 thousand (RUB 262 thousand per share) owned by CJSC MICEX to the share capital of CJSC MICEX-Finance. CJSC MICEX-Finance was founded by MICEX on February 1, 2011 with a starting share capital of RUB 1,000 thousand. The Board of Directors of CJSC MICEX approved a subsequent increase of its shareholding in CJSC MICEX Stock Exchange up to 100% that will be achieved by means of additional shares issue by CJSC MICEX as described below.

On March 10, 2011 shareholders meeting of CJSC MICEX approved an increase of total number of shares authorized for issue up to 128,910 pieces with RUB 10 thousand each at par and an increase of MICEX share capital through a private placement of 37,083 additional ordinary shares of RUB 10 thousand at par at a price of RUB 706.69459 per share.

On January 25, 2011, CJSC MICEX founded LLC Exchange Central Counterparty (Ukraine) and contributed USD 1 million (or RUB 27,559 thousand) in its share capital. This investment was made in line with MICEX strategy to develop Group's operations in Ukraine.

On March 16, 2011 CJSC National Settlement Depository purchased 342,515 shares of CJSC Settlement Depository Company at the price of RUB 342,515 thousand. As a result of the transaction the share of the Group in CJSC Settlement Depository Company remained unchanged.