

FINAM LIMITED
REPORT AND FINANCIAL STATEMENTS
31 December 2008

FINAM LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2008

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FINAM LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

S Papapetrou
V Remsha
E Papaeleferiou
S Hadjikyriakou

Company Secretary:

Oneworld Secretarial Ltd
Prodromou Parkview House, 4th floor
P.C. 2063, Nicosia
Cyprus

Independent Auditors:

BDO Philippides Ltd
Certified Public Accountants (CY)
146 Arch. Makarios III Avenue
Alpha Tower, 4th floor
P. O. Box: 51681
3507 Limassol, Cyprus

Registered office:

Prodromou Parkview House, 4th floor
P.C. 2063, Nicosia
Cyprus

Bankers:

Marfin Popular Bank Public Company Ltd
CJSC Investment Bank Finam
OJSC Promsvyabank, Moscow, Russia
HSBC Trinkaus & Burkhardt AG
Bank of Cyprus Public Company Ltd
OJSC Promsvyabank, Cyprus Branch

FINAM LIMITED

REPORT OF THE BOARD OF DIRECTORS

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

Principal activity

The principal activities of the Company are the provision of financial services to international investors. On 18 September 2006 the Company was granted the requisite licence by the Cyprus Securities and Exchange Commission enable it to operate in Cyprus as a financial service company and to provide portfolio management and brokerage services to its clients.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results

The Company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital

Authorised and Issued Share Capital

On 23 May 2008 the company increased its authorised share capital from 150,000 ordinary shares to 160,000 ordinary shares and on the same date Company issued 10,000 ordinary shares of €1.71 each for a total consideration of US\$477,722.

Board of Directors

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

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Post balance sheet events

There were no material post balance sheet events, which have a bearing on the understanding, note

Independent Auditors

The independent auditors, BDO Philippides Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



S Papapetrou
Director

Limassol, 29 April 2009



Independent Auditors' Report

To the Members of Finam Limited

Report on the Financial Statements

We have audited the financial statements of Finam Limited (the «Company») on pages 5 to 18, which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Finam Limited as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Independent Auditors' Report (continued)**To the Members of Finam Limited****Report on Other Legal Requirements**

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

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

Other Matter

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

BDO Philippides Ltd

Certified Public Accountants (CY)

Limassol, 29 April 2009

FINAM LIMITED

INCOME STATEMENT

Year ended 31 December 2008

	Note	2008 US\$	2007 US\$
Revenue	5	701,872	143,701
Other income	6	-	83,138
Administration expenses		(624,440)	(349,239)
Selling and distribution expenses		<u>(17,078)</u>	<u>-</u>
Operating profit / (loss)	7	60,354	(122,400)
Net finance (costs) / income	9	<u>(76,949)</u>	<u>39,252</u>
Loss before tax		(16,595)	(83,148)
Tax	10	<u>(1,454)</u>	<u>(4,295)</u>
Net (loss) for the year / period		<u>(18,049)</u>	<u>(87,443)</u>

The notes on pages 9 to 18 form an integral part of these financial statements.


FINAM LIMITED

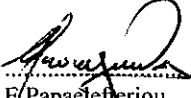
BALANCE SHEET

31 December 2008

	Note	2008 US\$	2007 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	11	48,713	82,738
Trade and other receivables	12	<u>103,679</u>	<u>100,152</u>
		<u>152,392</u>	<u>182,890</u>
Current assets			
Trade and other receivables	12	231,153	30,623
Cash at bank and in hand		<u>869,668</u>	<u>521,477</u>
		<u>1,100,821</u>	<u>552,100</u>
Total assets		<u>1,253,213</u>	<u>734,990</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	13	359,678	332,119
Other reserves	14	450,464	-
Retained earnings		<u>346,023</u>	<u>364,374</u>
		<u>1,156,165</u>	<u>696,493</u>
Current liabilities			
Trade and other payables	15	96,064	35,643
Current tax liabilities	16	<u>984</u>	<u>2,854</u>
		<u>97,048</u>	<u>38,497</u>
Total equity and liabilities		<u>1,253,213</u>	<u>734,990</u>

On 29 April 2009 the Board of Directors of Finam Limited authorised these financial statements for issue.


.....
S Papapetrou
Director


.....
E/Papaefteriou
Director

The notes on pages 9 to 18 form an integral part of these financial statements.

FINAM LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Note	Share capital US\$	Other reserves (Note 14) US\$	Retained earnings US\$	Total US\$
Balance - 1 January 2007		332,119	-	451,817	783,936
Net loss for the period		-	-	(87,443)	(87,443)
At 31 December 2007/ 1 January 2008		<u>332,119</u>	<u>-</u>	<u>364,374</u>	<u>696,493</u>
Net loss for the year		-	-	(18,049)	(18,049)
Issue of share capital	13	27,257	450,464	-	477,721
Transfer		302	-	(302)	-
At 31 December 2008		<u>359,678</u>	<u>450,464</u>	<u>346,023</u>	<u>1,156,165</u>

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

The notes on pages 9 to 18 form an integral part of these financial statements.

FINAM LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2008

	Note	2008 US\$	2007 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(16,595)	(83,148)
Adjustments for:			
Depreciation of property, plant and equipment	11	40,900	40,553
Unrealised exchange (profit)		(11,857)	(9,447)
Interest income	9	(13,709)	(15,252)
Interest expense	9	2,749	3,093
Cash flows from / (used in) operations before working capital changes		1,488	(64,201)
Decrease in amount due from customers for contract work		-	34,384
Increase in trade and other receivables		(204,057)	-
Increase in trade and other payables		60,421	-
Cash flows used in operations		(142,148)	(29,817)
Tax paid		(3,324)	-
Net cash flows used in operating activities		(145,472)	(29,817)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		(6,875)	(21,930)
Interest received		13,709	15,252
Net cash flows from / (used in) investing activities		6,834	(6,678)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		477,721	-
Unrealised exchange profit		11,857	9,447
Interest paid		(2,749)	(3,093)
Net cash flows from financing activities		486,829	6,354
Net increase / (decrease) in cash and cash equivalents		348,191	(30,141)
Cash and cash equivalents:			
At beginning of the year/ period		521,477	551,618
At end of the year/ period		869,668	521,477

The notes on pages 9 to 18 form an integral part of these financial statements.

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. Incorporation and principal activities

Country of incorporation

The Company Finam Limited (the «Company») was incorporated in Cyprus on 4th July 2005 as a limited liability Company under the Companies Law, Cap. 113. Its registered office is at Prodromou Parkview House, 4th floor, P.C. 2063, Nicosia, Cyprus.

Principal activity

The principal activities of the Company are the provision of financial services to international investors. On 18 September 2006 the Company was granted the requisite licence by the Cyprus Securities and Exchange Commission enable it to operate in Cyprus as a financial service company and to provide portfolio management and brokerage services to its clients.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations and are effective for accounting periods commencing on 1 January 2008.

The adoption of these Standards did not have a material effect on the financial statements.

At the date of authorisation of these financial statements some Standards were in issue but not yet effective. The Board of Directors expects that the adoption of these Standards in future periods will not have a material effect on the financial statements of the Company.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Sale of goods**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

2. Accounting policies (continued)

Revenue recognition (continued)

- **Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to the income statement. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to the income statement.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2008 and the mid cost price represents unrealised gains and losses and are included in the income statement in the period in which they arise as . Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as fair value gains or losses on investments, taking into account any amounts charged or credited to the income statements in previous periods.

- **Commission income**

Commission income is recognised when the right to receive payment is established.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

Interest expense and other borrowing costs are charged to the income statement as incurred.

Foreign currency translation

- (1) Functional and presentation currency

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

- (2) Transactions and balances

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

Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

2. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

Computer software	33 1/3
Furniture, fixtures and office equipment	10
Computer hardware	20

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

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

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Trade payables

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

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains 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; or
- the Company has transferred its rights to receive cash flows from the asset and 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.

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

2. Accounting policies (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Share capital

Ordinary shares are classified as equity.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3.3 Liquidity risk

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

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

3. Financial risk management (continued)

3.4 Currency risk

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

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

4. Critical accounting estimates and judgements

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

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

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the income statement. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

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

5. Revenue

	2008	2007
	US\$	US\$
Other commission income	8,575	-
Discounts received	597	-
Agent fees	-	141,480
Broker fees	692,700	2,195
Other operating income	-	26
	<u>701,872</u>	<u>143,701</u>

6. Other income

	2008	2007
	US\$	US\$
Waive of loan payable	-	83,138
	<u>-</u>	<u>83,138</u>

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

7. Operating profit / (loss)

	2008 US\$	2007 US\$
Operating profit / (loss) is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 11)	40,900	40,553
Staff costs (Note 8)	223,272	132,825
Auditors' remuneration - current year	32,737	23,651
Auditors' remuneration - prior years	<u>-</u>	<u>12,076</u>

8. Staff costs

	2008 US\$	2007 US\$
Wages and salaries	206,373	120,834
Social insurance costs and other funds	13,130	9,593
Social cohesion fund	3,769	2,398
	<u>223,272</u>	<u>132,825</u>

9. Finance income / cost

	2008 US\$	2007 US\$
Interest income	13,709	15,252
Exchange profit	11,857	32,307
Finance income	<u>25,566</u>	<u>47,559</u>
Net foreign exchange transaction losses	90,719	1,521
Interest expense	2,749	3,093
Other finance expenses	9,047	3,693
Finance costs	<u>102,515</u>	<u>8,307</u>
Net finance (costs) / income	<u>(76,949)</u>	<u>39,252</u>

10. Tax

	2008 US\$	2007 US\$
Defence contribution - current year / period	1,454	4,295
Charge for the year	<u>1,454</u>	<u>4,295</u>

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2008 US\$	2007 US\$
Loss before tax	<u>(16,595)</u>	<u>(83,148)</u>
Tax calculated at the applicable tax rates	(1,660)	(8,315)
Tax effect of expenses not deductible for tax purposes	-	4,556
Tax effect of allowances and income not subject to tax	-	16,210
Tax effect of tax losses brought forward	-	(12,451)
Tax effect of tax loss for the year / period	1,660	-
Defence contribution current year	1,454	4,295
Tax charge	<u>1,454</u>	<u>4,295</u>

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

10. Tax (continued)

The corporation tax rate is 10%.

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

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years. As at 31 December 2008, the balance of tax losses which is available for offset against future taxable profits amounts to US\$ 106,905 for which no deferred asset is recognised in the balance sheet.

11. Property, plant and equipment

	Computer software	Furniture, fixtures and office equipment	Computer hardware	Total
	US\$	US\$	US\$	US\$
Cost				
Balance - 1 January 2007	107,366	5,907	-	113,273
Additions	1,870	4,576	15,484	21,930
At 31 December 2007/ 1 January 2008	109,236	10,483	15,484	135,203
Additions	-	6,581	294	6,875
At 31 December 2008	109,236	17,064	15,778	142,078
Depreciation				
Balance - 1 January 2007	11,810	101	-	11,911
Charge for the period	36,409	1,048	3,097	40,554
At 31 December 2007/ 1 January 2008	48,219	1,149	3,097	52,465
Charge for the year	36,408	1,361	3,131	40,900
At 31 December 2008	84,627	2,510	6,228	93,365
Net book amount				
At 31 December 2008	24,609	14,554	9,550	48,713
At 31 December 2007	61,017	9,334	12,387	82,738

12. Trade and other receivables

	2008	2007
	US\$	US\$
Trade receivables	203,167	6,855
Due from broker (Note 17)	8,153	1,020
Deposits and prepayments	19,574	19,473
Other claims	259	3,275
Clients compensation fund	103,679	100,152
	334,832	130,775
Less non-current receivables	(103,679)	(100,152)
Current portion	231,153	30,623

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

13. Share capital

	2008 Number of shares	2008 US\$	2007 Number of shares	2007 US\$
Authorised				
Ordinary shares of €1,71 each	<u>160,000</u>	<u>359,678</u>	<u>160,000</u>	<u>332,119</u>
Issued and fully paid				
On 1 January	150,000	332,119	150,000	332,119
Transfer	-	301	-	-
Issue of shares	<u>10,000</u>	<u>27,258</u>	<u>-</u>	<u>-</u>
At 31 December	<u>160,000</u>	<u>359,678</u>	<u>150,000</u>	<u>332,119</u>

Authorised and Issued Share Capital

On 23 May 2008 the company increased its authorised share capital from 150,000 ordinary shares to 160,000 ordinary shares and on the same date Company issued 10,000 ordinary shares of €1.71 each for a total consideration of US\$477,722.

Transfer to retained earnings of US\$301 was made in order to cover the difference arose from the conversion of share capital from CY£ into Euro, because from 1st of January 2008 Euro adopted as Cyprus official currency while Cyprus Pound was abolished.

14. Other reserves

	Share premium US\$	Total US\$
Balance 1 January 2007	-	-
At 31 December 2007/ 1 January 2008	-	-
Issue of share capital	<u>450,464</u>	<u>450,464</u>
At 31 December 2008	<u>450,464</u>	<u>450,464</u>

On 23 of May the Company issued 10,000 ordinary shares of €1,71 each at a premium of €28,26 each, resulted total share premium of US\$ 450,464.

15. Trade and other payables

	2008 US\$	2007 US\$
Trade payables	4,500	-
Shareholders' current accounts - credit balances (Note 17)	2,100	2,433
Accruals	84,266	28,298
Other creditors	-	556
Payables to related companies (Note 17)	<u>5,198</u>	<u>4,356</u>
	<u>96,064</u>	<u>35,643</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Current tax liabilities

	2008 US\$	2007 US\$
Special contribution for defence	<u>984</u>	<u>2,854</u>
	<u>984</u>	<u>2,854</u>

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

17. Related party transactions

The Company is controlled by LLC Finam Investment Holdings, incorporated in Russia, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

17.1 Brokers fees

	<u>Nature of transactions</u>	2008 US\$	2007 US\$
CJSC Finam	Trade	400	-
		<u>400</u>	<u>-</u>

17.2 Receivables from related parties (Note 12)

<u>Name</u>	<u>Nature of transactions</u>	2008 US\$	2007 US\$
ZAO Finam	Broker account	8,153	1,020
		<u>8,153</u>	<u>1,020</u>

17.3 Payables to related parties (Note 15)

<u>Name</u>	<u>Nature of transactions</u>	2008 US\$	2007 US\$
Gram Trading Ltd	Finance	5,198	4,356
		<u>5,198</u>	<u>4,356</u>

17.4 Shareholders' current accounts - credit balances (Note 15)

	2008 US\$	2007 US\$
Shareholder's current account	2,100	2,433
	<u>2,100</u>	<u>2,433</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

18. Contingent liabilities

Cyprus tax legislation is subject to varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the company may be challenged by the income tax authorities 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. Fiscal periods remain open for review by the taxation authorities in respect of taxes for the six calendar years proceeding the year of review. Under certain periods reviews may cover longer periods.

19. Commitments

Off balance sheet items

	2008 US\$	2007 US\$
Clients' funds held in Company bank accounts	2,761,689	41
Portfolio of clients' investments held under management	128,881,347	750,803
	<u>131,643,036</u>	<u>750,844</u>

FINAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

20. Post balance sheet events

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

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