

**BROKER CREDIT SERVICE (CYPRUS) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 2008**



**ΦΥΛΑΚΤΟΥ ΜΕΤΑΧΑΣ & Co LTD**  
**CHARTERED CERTIFIED ACCOUNTANTS**

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# **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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## **REPORT AND FINANCIAL STATEMENTS 31 December 2008**

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# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:** Olha Sidleruk  
George Yiallourides  
Tonia Antoniou  
Vitaliy Shelikhovskiy  
Anna Grigorieva

**Company Secretary:** Altruco Secretarial Limited

**Independent Auditors:** Phylactou Metaxas & Co Limited  
Chartered Certified Accountants  
85 Gladstonos street  
Kyprianou Court  
Offices 501-503  
3032 Limassol, Cyprus

**Legal Advisers:** Michael Kyprianou & Associates

**Registered office:** Makariou III, 168  
GEOPYXIS CENTER, Office 2  
P.C. 3027 Limassol  
Cyprus

**Bankers:** ING Bank (Eurasia) ZAO Moscow, Russia  
Bank of Cyprus Public Company Ltd  
Parex Bank, Latvia  
Deutsche Bank AG, Amsterdam  
UBS AG, Zurich  
JPMorgan Chase Bank N.A.  
OAO BCS Bank, Russia  
Settlement Chamber RTS Bank, Russia

**Registration number:** 154856

**Registration date:** 7 December 2004

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# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **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.

### **Incorporation**

The Company BrokerCreditService (Cyprus) Limited was incorporated in Cyprus on 7 December 2004. The Company holds a Financial Services Licence from the Cyprus Securities and Exchange Commission (CySec) for the provision of these services.

### **Principal activity**

The Company is a licensed Investment Firm in Cyprus under license number 048/04 dated 8 October 2004 granted by the Cyprus Securities and Exchange Commission. The Company is licensed to provide the investment services of reception and transmission of orders, execution of orders on behalf of clients, dealing on own account, portfolio management and investment advice in relation to financial instruments. The company is also licensed to provide the ancillary service of safekeeping and administration of financial instruments, including custodianship and related services, the granting of credits or loans to clients for transactions, foreign exchange services connected to the provision of investment services, investment research and financial analysis relating to transactions in financial instruments and investment services relating to derivatives.

### **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. Losses resulted from the revaluation of investment portfolio which declined in value as at 31 December 2008 as a consequence of the general economic crisis.

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 6. The net loss for the year is carried forward.

### **Share capital**

There were no changes in the share capital of the Company during the year.

### **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.

# **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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## **REPORT OF THE BOARD OF DIRECTORS**

### **Independent Auditors**

During the year the independent auditors the Company, Deloitte & Touche Limited resigned and Phylactou Metaxas & Co Limited were appointed in their place.

The independent auditors, Phylactou Metaxas & Co Limited, 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,

Olha Sidleruk  
Director



Limassol, Cyprus, 29 April 2009



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### **Independent Auditors' Report**

**To the Members of BrokerCreditService (Cyprus) Limited**

#### **Report on the Financial Statements**

We have audited the financial statements of BrokerCreditService (Cyprus) Limited (the «Company») on pages 6 to 27, 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. The financial statements of the Company as of 31 December 2007 were audited by another auditor whose report dated 24 April 2008 expressed an unqualified opinion on those statements.

#### *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.



**Independent Auditors' Report (continued)**

**To the Members of BrokerCreditService (Cyprus) Limited**

*Opinion*

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

**Report on Other Legal Requirements**

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 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.

**Phylactou Metaxas & Co Limited**  
Chartered Certified Accountants

Limassol, 29 April 2009

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

## **INCOME STATEMENT**

Year ended 31 December 2008

	Note	2008 US\$	2007 US\$
Revenue	5	4,118,886	1,693,411
Direct costs		<u>(643,274)</u>	<u>(714,897)</u>
		3,475,612	978,514
Other income	6	122,714	117,887
Administration and selling expenses		<u>(1,437,965)</u>	<u>(716,665)</u>
Operating profit	7	2,160,361	379,736
Net finance costs	9	(778,924)	(78,701)
Net (loss) / profit from investing activities	10	<u>(4,942,205)</u>	<u>818,890</u>
(Loss) / profit before tax		(3,560,768)	1,119,925
Tax	11	<u>(57,583)</u>	<u>(17,683)</u>
Net (loss) / profit for the year		<u><u>(3,618,351)</u></u>	<u><u>1,102,242</u></u>

The notes on pages 10 to 27 form an integral part of these financial statements.

# BROKERCREDITSERVICE (CYPRUS) LIMITED

## BALANCE SHEET 31 December 2008

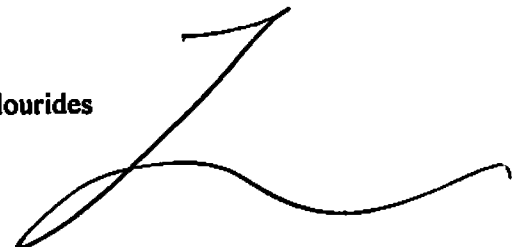
	Note	2008 US\$	2007 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	75,085	44,962
Intangible assets	13	<u>154,609</u>	<u>2,704</u>
		<u>229,694</u>	<u>47,666</u>
<b>Current assets</b>			
Trade and other receivables	14	5,873,208	6,051,044
Financial assets at fair value through profit or loss	15	9,779,228	8,603,555
Cash at bank and in hand		<u>17,112,180</u>	<u>11,721,364</u>
		<u>32,764,616</u>	<u>26,375,963</u>
<b>Total assets</b>		<u><b>32,994,310</b></u>	<u><b>26,423,629</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
Share capital	16	1,490,100	1,490,100
Share premium		5,510,400	5,510,400
Retained earnings		<u>2,749,903</u>	<u>6,368,254</u>
		<u>9,750,403</u>	<u>13,368,754</u>
<b>Current liabilities</b>			
Trade and other payables	18	22,464,123	13,052,041
Borrowings	17	736,957	-
Current tax liabilities	19	<u>42,827</u>	<u>2,834</u>
		<u>23,243,907</u>	<u>13,054,875</u>
<b>Total equity and liabilities</b>		<u><b>32,994,310</b></u>	<u><b>26,423,629</b></u>

On 29 April 2009 the Board of Directors of BrokerCreditService (Cyprus) Limited authorised these financial statements for issue.

Olha Sidleruk  
Director



George Yiallourides  
Director



The notes on pages 10 to 27 form an integral part of these financial statements.

## **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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### **STATEMENT OF CHANGES IN EQUITY** Year ended 31 December 2008

	<b>Share capital US\$</b>	<b>Share premium US\$</b>	<b>Retained earnings US\$</b>	<b>Total US\$</b>
<b>Balance - 1 January 2007</b>	<b>1,490,100</b>	<b>5,510,400</b>	<b>5,266,012</b>	<b>12,266,512</b>
<b>Net profit for the year</b>	<b>-</b>	<b>-</b>	<b>1,102,242</b>	<b>1,102,242</b>
<b>At 31 December 2007/ 1 January 2008</b>	<b>1,490,100</b>	<b>5,510,400</b>	<b>6,368,254</b>	<b>13,368,754</b>
<b>Net loss for the year</b>	<b>-</b>	<b>-</b>	<b>(3,618,351)</b>	<b>(3,618,351)</b>
<b>At 31 December 2008</b>	<b>1,490,100</b>	<b>5,510,400</b>	<b>2,749,903</b>	<b>9,750,403</b>

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.

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The notes on pages 10 to 27 form an integral part of these financial statements.

# BROKERCREDITSERVICE (CYPRUS) LIMITED

## CASH FLOW STATEMENT Year ended 31 December 2008

	Note	2008 US\$	2007 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/ profit before tax		(3,560,768)	1,119,925
Adjustments for:			
Depreciation of property, plant and equipment	12	14,199	7,987
Unrealised exchange loss		738,730	-
Amortisation of computer software	13	97,240	2,385
Profit from the sale of investments in subsidiaries		-	(78)
Fair value losses / (gains) on financial assets at fair value through profit or loss		5,273,513	(413,927)
Interest income	10	(331,308)	(319,257)
Interest expense	9	308	3,061
<b>Cash flows from operations before working capital changes</b>		<b>2,231,914</b>	<b>400,096</b>
Decrease in trade and other receivables		177,836	16,115,698
Increase in financial assets at fair value through profit or loss		(6,449,186)	(6,998,124)
Increase / (decrease) in trade and other payables		9,412,082	(8,046,156)
<b>Cash flows from operations</b>		<b>5,372,646</b>	<b>1,471,514</b>
Tax paid		(17,590)	-
<b>Net cash flows from operating activities</b>		<b>5,355,056</b>	<b>1,471,514</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of intangible assets	13	(249,145)	(433)
Payment for purchase of property, plant and equipment		(44,322)	(27,037)
Proceeds from sale of investments in subsidiary undertakings		-	78
Interest received		331,308	319,257
<b>Net cash flows from investing activities</b>		<b>37,841</b>	<b>291,865</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		736,957	-
Unrealised exchange (loss)		(738,730)	-
Interest paid		(308)	(3,061)
<b>Net cash flows used in financing activities</b>		<b>(2,081)</b>	<b>(3,061)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,390,816</b>	<b>1,760,318</b>
Cash and cash equivalents:			
At beginning of the year		11,721,364	9,961,046
At end of the year		17,112,180	11,721,364

The notes on pages 10 to 27 form an integral part of these financial statements.

# **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **1. Incorporation and principal activities**

#### **Country of incorporation**

The Company BrokerCreditService (Cyprus) Limited (the «Company») was incorporated in Cyprus on 7 December 2004, as a limited liability Company under the Companies Law, Cap. 113. Its registered office is at Makariou III, 168, GEOPYXIS CENTER, Office 2, P.C. 3027 Limassol, Cyprus.

#### **Principal activity**

The Company is a licensed Investment Firm in Cyprus under license number 048/04 dated 8 October 2004 granted by the Cyprus Securities and Exchange Commission. The Company is licensed to provide the investment services of reception and transmission of orders, execution of orders on behalf of clients, dealing on own account, portfolio management and investment advice in relation to financial instruments. The company is also licensed to provide the ancillary service of safekeeping and administration of financial instruments, including custodianship and related services, the granting of credits or loans to clients for transactions, foreign exchange services connected to the provision of investment services, investment research and financial analysis relating to transactions in financial instruments and investment services relating to derivatives.

### **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 as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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.

# **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

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 basis:

- **Revenue**

Revenue includes gains and losses on sale of investments held for trading, gains and losses from contracts for differences (CFD's), forward contracts, commissions received for brokerage and custodian services and other related income.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend 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 costs**

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

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

#### **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. Translation differences on non-monetary items such as equities held at fair value through profit and loss are reported as part of the fair value gain or loss.

#### **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.

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 hardware	%
Furniture, fixtures and office equipment	20
Electronic and other equipment	10
	10

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.

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

#### **Computer software**

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

#### **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.

#### **Investments**

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

- **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held at fair value through profit and loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit and loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit and loss or are expected to be realised within twelve months of the balance sheet date.

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Investments (continued)**

- **Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturity that the management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets.

- **Available-for-sale financial assets**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. 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.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Investments (continued)**

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

##### **Cash and cash equivalents**

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

##### **Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

##### **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.

##### **Financial liabilities**

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **2. Accounting policies (continued)**

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.

### **Non-current liabilities**

Non-current liabilities represent amounts that are due more than twelve months from the balance sheet date.

## **3. Financial risk management**

### **Financial risk factors**

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance 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 Market price risk**

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's available-for-sale financial assets and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 3. Financial risk management (continued)

#### 3.2 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.

#### 3.3 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.

#### 3.4 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.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2008	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-5 years US\$	More than 5 years US\$
Payables on securities repurchase agreement	736,957	736,957	736,957	-	-	-
Trade and other payables	4,740,208	4,776,310	4,776,310	-	-	-
Payables to related companies	17,459,099	17,459,099	17,459,099	-	-	-
Shareholders' current account	264,816	246,816	246,816	-	-	-
	<u>23,201,080</u>	<u>23,219,182</u>	<u>23,219,182</u>	<u>-</u>	<u>-</u>	<u>-</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 3. Financial risk management (continued)

31 December 2007	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	3-12 months US\$	1-5 years US\$	More than 5 years US\$
Trade and other payables	4,810,277	7,280,152	7,280,152	-	-	-
Payables to related companies	7,976,948	5,507,074	5,507,074	-	-	-
Shareholders' current account	264,816	264,816	264,816	-	-	-
	<u>13,052,041</u>	<u>13,052,042</u>	<u>13,052,042</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 3.5 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 Russian Ruble. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
United States Dollars	12,662,781	7,281,992	17,816,172	12,739,290
Euro	430,986	3,009,977	1,361,733	881,266
Russian Rubbles	10,107,021	2,567,934	3,974,759	3,839,338
Other	33,424	110,026	42,984	126,476
Cyprus pounds	-	84,934	-	186,038
	<u>23,234,212</u>	<u>13,054,863</u>	<u>23,195,648</u>	<u>17,772,408</u>

### Sensitivity analysis

A 10% strengthening of the United States Dollars against the following currencies at 31 December 2008 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Cyprus Pounds	-	(10,109)	-	(10,109)
Russian Rubbles	613,226	(127,140)	613,226	(127,140)
Euro	(93,075)	212,871	(93,075)	212,871
Other	(955)	(1,645)	(955)	(1,645)
	<u>519,196</u>	<u>73,977</u>	<u>519,196</u>	<u>73,977</u>

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **3. Financial risk management (continued)**

#### **3.6 Operational risk**

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

#### **3.7 Compliance risk**

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

#### **3.8 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.

### **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.

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 4. Critical accounting estimates and judgements (continued)

#### • Fair value of financial assets

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

#### • Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

### 5. Revenue

	2008 US\$	2007 US\$
Commissions and fees from investment services	1,498,690	1,533,582
Profit/(loss) on Contracts For Differences (CFD's)	951,922	(17,282)
Gains from trading in financial instruments	<u>1,668,274</u>	<u>177,111</u>
	<u>4,118,886</u>	<u>1,693,411</u>

### 6. Other income

	2008 US\$	2007 US\$
Dividends	<u>122,714</u>	<u>117,887</u>
	<u>122,714</u>	<u>117,887</u>

### 7. Operating profit

	2008 US\$	2007 US\$
Operating profit is stated after charging the following items:		
Amortisation of computer software (included in "Administration and selling expenses") (Note 13)	97,240	2,385
Depreciation of property, plant and equipment (Note 12)	14,199	7,987
Staff costs including Directors in their executive capacity (Note 8)	392,997	402,410
Auditors' remuneration - current year	24,321	74,893
Auditors' remuneration - prior years	<u>10,464</u>	<u>3,460</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 8. Staff costs

	2008	2007
	US\$	US\$
Wages and salaries	363,144	371,718
Social insurance costs and other funds	22,859	22,763
Social cohesion fund	6,994	7,929
	<u>392,997</u>	<u>402,410</u>

Average number of employees (including Directors in their executive capacity)

	<u>16</u>	<u>19</u>
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### 9. Finance costs

	2008	2007
	US\$	US\$
Net foreign exchange transaction losses	745,465	20,291
Interest expense	308	3,061
Other finance expenses	33,151	55,349
	<u>778,924</u>	<u>78,701</u>

### 10. (Loss) / profit from investing activities

	2008	2007
	US\$	US\$
Profit from sale of investments in subsidiaries	-	78
Fair value gains on financial assets at fair value through profit and loss	-	413,927
Interest income	331,308	319,257
Exchange profit	-	85,628
Fair value losses on financial assets at fair value through profit and loss	(5,273,513)	-
	<u>(4,942,205)</u>	<u>818,890</u>

### 11. Tax

	2008	2007
	US\$	US\$
Corporation tax - current year	29,403	-
Overseas tax	14,756	17,683
Defence contribution - current year	13,424	-
Charge for the year	<u>57,583</u>	<u>17,683</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 11. Tax (continued)

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)/ profit before tax	<u>(3,560,768)</u>	<u>1,119,925</u>
Tax calculated at the applicable tax rates	(356,077)	111,993
Tax effect of expenses not deductible for tax purposes	613,190	-
Tax effect of allowances and income not subject to tax	(193,970)	(111,993)
Tax effect of tax losses brought forward	(23,450)	-
10% additional charge	2,673	-
Defence contribution current year	13,424	-
Overseas tax in excess of credit claim used during the year	<u>1,793</u>	<u>17,683</u>
Tax charge	<u>57,583</u>	<u>17,683</u>

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%.

### 12. Property, plant and equipment

	Computer hardware US\$	Furniture, fixtures and office equipment US\$	Electronic and other equipment US\$	Total US\$
<b>Cost</b>				
Balance - 1 January 2007	15,605	11,075	4,626	31,306
Additions	<u>18,123</u>	<u>2,267</u>	<u>6,647</u>	<u>27,037</u>
At 31 December 2007/ 1 January 2008	<u>33,728</u>	<u>13,342</u>	<u>11,273</u>	<u>58,343</u>
Additions	<u>13,388</u>	<u>30,748</u>	<u>186</u>	<u>44,322</u>
At 31 December 2008	<u>47,116</u>	<u>44,090</u>	<u>11,459</u>	<u>102,665</u>
<b>Depreciation</b>				
Balance - 1 January 2007	3,599	1,234	561	5,394
Charge for the year	<u>5,724</u>	<u>1,221</u>	<u>1,042</u>	<u>7,987</u>
At 31 December 2007/ 1 January 2008	<u>9,323</u>	<u>2,455</u>	<u>1,603</u>	<u>13,381</u>
Charge for the year	<u>8,632</u>	<u>3,906</u>	<u>1,661</u>	<u>14,199</u>
At 31 December 2008	<u>17,955</u>	<u>6,361</u>	<u>3,264</u>	<u>27,580</u>
<b>Net book amount</b>				
At 31 December 2008	<u>29,161</u>	<u>37,729</u>	<u>8,195</u>	<u>75,085</u>
At 31 December 2007	<u>24,405</u>	<u>10,887</u>	<u>9,670</u>	<u>44,962</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 13. Intangible assets

	Computer software US\$
<b>Cost</b>	
Balance - 1 January 2007	6,909
Additions	433
At 31 December 2007/ 1 January 2008	<u>7,342</u>
Additions	249,145
At 31 December 2008	<u>256,487</u>
<b>Amortisation</b>	
Balance - 1 January 2007	2,253
Amortisation for the year (Note 7)	2,385
At 31 December 2007/ 1 January 2008	<u>4,638</u>
Amortisation for the year (Note 7)	97,240
At 31 December 2008	<u>101,878</u>
<b>Net book amount</b>	
At 31 December 2008	<u>154,609</u>
At 31 December 2007	<u>2,704</u>

### 14. Trade and other receivables

	2008 US\$	2007 US\$
Cash held with brokerage firms - third parties	3,860,832	3,803,806
Cash held with brokerage firms - related parties	1,795,243	2,061,720
Investors Compensation Fund	134,810	70,750
Deposits and prepayments	9,538	67,635
Other receivables	1,393	-
Refundable VAT	71,392	47,133
	<u>5,873,208</u>	<u>6,051,044</u>

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.

# BROKERCREDITSERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 15. Financial assets at fair value through profit or loss

	2008 US\$	2007 US\$
On 1 January	8,603,555	1,191,504
Additions	7,358,043	7,339,390
Disposals	(908,857)	(341,266)
Change in fair value	<u>(5,273,513)</u>	<u>413,927</u>
At 31 December	<u>9,779,228</u>	<u>8,603,555</u>

	Fair values 2008 US\$	Cost 2008 US\$	Fair values 2007 US\$	Cost 2007 US\$
Listed equity securities	3,461,327	8,278,147	8,491,763	11,424,173
Non-listed equity securities	111,792	111,792	111,792	111,792
Investment in Closed Investment Fund - non listed	<u>6,206,109</u>	<u>6,152,542</u>	<u>-</u>	<u>-</u>
	<u>9,779,228</u>	<u>14,542,481</u>	<u>8,603,555</u>	<u>11,535,965</u>

The investment in Closed Investment Fund represents 34 units (17%) in a private Real Estate Fund "BCS Real Estate Fund", which is a fund registered in Russia and managed by CJSC BCS Asset Management.

Investments held for trading at 31 December 2008 represent listed and unlisted securities. The financial assets at fair value through profit or loss are marketable securities. Listed equity securities are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Non-listed equity securities are stated at cost of acquisition less any provision for impairment in value. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months of the balance sheet date.

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

### 16. Share capital

	2008 Number of shares	2008 US\$	2007 Number of shares	2007 US\$
<b>Authorised</b>				
4,967 Ordinary shares of US\$300 each	<u>4,967</u>	<u>1,490,100</u>	<u>4,967</u>	<u>1,490,100</u>
<b>Issued and fully paid</b>				
On 1 January	<u>4,967</u>	<u>1,490,100</u>	<u>4,967</u>	<u>1,490,100</u>
At 31 December	<u>4,967</u>	<u>1,490,100</u>	<u>4,967</u>	<u>1,490,100</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 17. Borrowings

	2008 US\$	2007 US\$
<b>Current borrowings</b>		
Payables on securities repurchase agreement	<u>736,957</u>	<u>-</u>
	<u>736,957</u>	<u>-</u>

The borrowings above represent payables under securities repurchase agreements.

### 18. Trade and other payables

	2008 US\$	2007 US\$
Amounts due to clients	4,606,297	3,510,586
Shareholders' current accounts - credit balances (Note 20)	264,816	264,816
Accruals	72,013	144,930
Other creditors	61,898	1,154,761
Payables to related companies (Note 20)	<u>17,459,099</u>	<u>7,976,948</u>
	<u>22,464,123</u>	<u>13,052,041</u>

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

An amount of \$6,036,626 included in the amounts payable to related parties, is held as collateral from BCS (Bermuda) Ltd for security on the trading balances.

### 19. Current tax liabilities

	2008 US\$	2007 US\$
Corporation tax	29,403	2,834
Special contribution for defence	<u>13,424</u>	<u>-</u>
	<u>42,827</u>	<u>2,834</u>

### 20. Related party transactions

The following transactions were carried out with related parties:

#### 20.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2008 US\$	2007 US\$
Directors' fees	39,000	51,853
Directors' remuneration	<u>118,858</u>	<u>119,164</u>
	<u>157,858</u>	<u>171,017</u>

# BROKERCREDITSERVICE (CYPRUS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 20. Related party transactions (continued)

#### 20.2 Income for brokerage, custodian and other services

	2008	2007
	US\$	US\$
BCS (Bermuda) Ltd	840,000	711,435
Brokercreditservice Ltd	<u>21,747</u>	<u>9,426</u>
	<u>861,747</u>	<u>720,861</u>

#### 20.3 Purchases of services

	2008	2007
	US\$	US\$
	<u>137,398</u>	<u>159,983</u>
Brokercreditservice Ltd	<u>137,398</u>	<u>159,983</u>

#### 20.4 Receivables from related parties

	2008	2007
	US\$	US\$
Brokercreditservice Ltd	1,794,139	2,056,839
BCS Bank	<u>3,582,521</u>	<u>-</u>
	<u>5,376,660</u>	<u>2,056,839</u>

The amounts receivable from Brokercreditservice Ltd is included in trade receivables and the cash at BCS Bank is included in Cash at Bank.

#### 20.5 Payables to related parties (Note 18)

	2008	2007
	US\$	US\$
BCS (Bermuda) Ltd	17,014,338	5,106,435
Brokercreditservice Ltd	<u>444,761</u>	<u>2,870,513</u>
	<u>17,459,099</u>	<u>7,976,948</u>

An amount of US\$6,036,626 payable to BCS (Bermuda) Ltd is held as guarantee against trading balances (2007:Nil).

#### 20.6 Shareholders' current accounts - credit balances (Note 18)

	2008	2007
	US\$	US\$
Amazon United Limited	<u>264,816</u>	<u>264,816</u>
	<u>264,816</u>	<u>264,816</u>

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

# **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2008

### **21. Contingent liabilities**

The Company had no contingent liabilities as at 31 December 2008.

### **22. Commitments**

#### **Off Balance Sheet items**

The Company holds through its custodians, securities and other financial instruments as custodian for its customers. These financial instruments are not reflected in the Company's financial statements since all risks and rewards lie with its customers and are only held under fiduciary capacity. The value of these financial instruments was approximate as follows:

	2008	2007
	US\$	US\$
Financial instruments	<u>39,921,278</u>	<u>132,467,346</u>

### **23. Post balance sheet events**

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

**Independent Auditors' Report pages 4 and 5**

## **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

### **DETAILED INCOME STATEMENT**

Year ended 31 December 2008

	Page	2008 US\$	2007 US\$
<b>Revenue</b>			
Commissions and fees from investment services		1,498,690	1,533,582
Profit/(loss) on Contracts For Differences (CFD's)		951,922	(17,282)
Gains from trading in financial instruments		<u>1,668,274</u>	<u>177,111</u>
<b>Total revenue</b>		<b>4,118,886</b>	<b>1,693,411</b>
Direct costs	29	<u>(643,274)</u>	<u>(714,897)</u>
<b>Net revenues</b>		<b>3,475,612</b>	<b>978,514</b>
<b>Other operating income</b>			
Dividends		<u>122,714</u>	<u>117,887</u>
		<b>3,598,326</b>	<b>1,096,401</b>
<b>Operating expenses</b>			
Administration and selling expenses	30	<u>(1,437,965)</u>	<u>(716,665)</u>
<b>Operating profit</b>		<b>2,160,361</b>	<b>379,736</b>
Finance costs	31	<u>(778,924)</u>	<u>(78,701)</u>
Profit from sale of investments in subsidiaries		-	78
Fair value gains on financial assets at fair value through profit and loss		-	413,927
Interest income		331,308	319,257
Exchange profit		-	85,628
Fair value losses on financial assets at fair value through profit and loss		<u>(5,273,513)</u>	<u>-</u>
<b>Net (loss)/ profit for the year before tax</b>		<b><u>(3,560,768)</u></b>	<b><u>1,119,925</u></b>

## **BROKERCREDITSERVICE (CYPRUS) LIMITED**

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### **DIRECT COSTS**

Year ended 31 December 2008

	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
<b>Direct costs</b>		
Commissions, agency fees, stock exchange fees etc	465,966	498,810
Other direct costs	<u>177,308</u>	<u>216,087</u>
	<u><b>643,274</b></u>	<u><b>714,897</b></u>

## **BROKER CREDIT SERVICE (CYPRUS) LIMITED**

### **OPERATING EXPENSES**

Year ended 31 December 2008

	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
<b>Administration and selling expenses</b>		
Directors' remuneration	118,858	119,164
Directors' fees	39,000	51,853
Local staff salaries	244,286	252,554
Social insurance etc.	22,859	22,763
Social cohesion fund	6,994	7,929
Office rent (local and overseas)	117,659	33,433
Licenses and taxes	2,092	3,188
Electricity and water	7,504	4,258
Cleaning	5,342	3,623
Insurance	3,702	6,483
Software maintenance fees	309,090	5,544
Sundry expenses (incl. unrecoverable vat)	39,115	7,067
Telephone and postage	43,258	24,679
Courier expenses	4,074	2,735
Stationery and printing	7,439	5,218
Staff training	15,924	4,910
Auditors' remuneration - current year	24,321	74,893
Auditors' remuneration - prior years	10,464	3,460
Accounting fees	-	293
Legal fees	30,496	6,481
Penalties	1,228	12,686
Professional fees	81,218	35,902
Salaries to overseas employees	150,336	-
Amortisation of computer software	97,240	2,385
Depreciation	14,199	7,987
Overseas travelling	35,507	10,503
Advertising	1,613	2,486
Entertaining	2,318	1,994
Inland travelling	408	1,108
Sundry expenses	1,421	1,086
	<u>1,437,965</u>	<u>716,665</u>

## **BROKERCREDITSERVICE (CYPRUS) LIMITED**

### **FINANCE INCOME / COST** Year ended 31 December 2008

	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
<b>Finance income</b>		
Bank interest	197,064	250,774
Interest from overseas	134,244	68,483
Realised exchange profit	-	85,628
	<u>331,308</u>	<u>404,885</u>
<b>Finance costs</b>		
<b>Interest expense</b>		
Bank overdraft interest	308	3,061
<b>Other finance expenses</b>		
Bank charges	33,151	55,349
<b>Net foreign exchange transaction losses</b>		
Realised exchange loss	6,735	20,291
Unrealised exchange loss	738,730	-
	<u>778,924</u>	<u>78,701</u>

## BROKER CREDIT SERVICE (CYPRUS) LIMITED

### COMPUTATION OF WEAR AND TEAR ALLOWANCES

Year ended 31 December 2008 31 December 2008

	Year	%	COST				ANNUAL ALLOWANCES				Net value 31/12/2008 US\$
			Cost 01/01/2008 US\$	Additions for the year US\$	Disposals for the year US\$	Cost 31/12/2008 US\$	Balance 01/01/2008 US\$	Charge for the year US\$	On disposals US\$	Balance 31/12/2008 US\$	
<b><u>Computer hardware</u></b>											
Cost	2005	20	7,193	-	-	7,193	4,317	1,439	-	5,756	1,437
Cost	2006	20	8,412	-	-	8,412	2,403	1,682	-	4,085	4,327
Cost	2007	20	18,123	-	-	18,123	2,603	3,625	-	6,228	11,895
Cost	2008	20	-	13,388	-	13,388	-	1,885	-	1,885	11,503
			<u>33,728</u>	<u>13,388</u>	<u>-</u>	<u>47,116</u>	<u>9,323</u>	<u>8,631</u>	<u>-</u>	<u>17,954</u>	<u>29,162</u>
<b><u>Furniture, fixtures and office equipment</u></b>											
Cost	2005	10	4,842	-	-	4,842	1,452	484	-	1,936	2,906
Cost	2006	10	6,233	-	-	6,233	889	623	-	1,512	4,721
Cost	2007	10	2,267	-	-	2,267	114	227	-	341	1,926
Cost	2008	10	-	30,748	-	30,748	-	2,572	-	2,572	28,176
			<u>13,342</u>	<u>30,748</u>	<u>-</u>	<u>44,090</u>	<u>2,455</u>	<u>3,906</u>	<u>-</u>	<u>6,361</u>	<u>37,729</u>
<b><u>Electronic and other equipment</u></b>											
Cost	2005	10	2,325	-	-	2,325	699	302	-	1,001	1,324
Cost	2006	10	2,301	-	-	2,301	285	299	-	584	1,717
Cost	2007	10	6,647	-	-	6,647	619	1,037	-	1,656	4,991
Cost	2008	10	-	186	-	186	-	24	-	24	162
			<u>11,273</u>	<u>186</u>	<u>-</u>	<u>11,459</u>	<u>1,603</u>	<u>1,662</u>	<u>-</u>	<u>3,265</u>	<u>8,194</u>
Total			<u>58,343</u>	<u>44,322</u>	<u>-</u>	<u>102,665</u>	<u>13,381</u>	<u>14,199</u>	<u>-</u>	<u>27,580</u>	<u>75,085</u>

# **BROKERCREDITSERVICE (CYPRUS) LIMITED**

## **COMPUTATION OF DEFENCE CONTRIBUTION** Year ended 31 December 2008

	Income US\$	Income €	Rate	Defence € c
<b>OVERSEAS DIVIDENDS)</b>				
Overseas dividends subject to defence contribution	<u>122,714</u>	<u>86,418</u>	15%	12,962.70
Less: deductions at source				(12,962.70)
<b>INTEREST</b>				
Interest from overseas	<u>134,244</u>	<u>94,538</u>		
	<u>134,244</u>	<u>94,538</u>	10%	9,453.80
Less: deductions at source				-
<b>DEFENCE CONTRIBUTION DUE TO IRD</b>				<u>9,453.80</u>

# BROKER CREDIT SERVICE (CYPRUS) LIMITED

## COMPUTATION OF CORPORATION TAX

Year ended 31 December 2008

	Page	US\$	US\$	
Net loss per detailed income statement	28		(3,560,768)	
<u>Less:</u>				
Expenses not allowable for taxation purposes:				
Depreciation		111,439		
Fair value losses on financial assets at fair value through profit and loss		5,273,513		
Unrealised exchange loss		738,730		
Penalties		1,228		
Social cohesion fund		<u>6,994</u>		
			<u>6,131,904</u>	
			2,571,136	
<u>Add:</u>				
Annual wear and tear allowances	32	14,199		
Dividends		122,714		
Profit from sale of financial assets at fair value through profit and loss		1,668,274		
Interest income		<u>331,308</u>		
			<u>(2,136,495)</u>	
Net trading income			434,641	
Interest receivable				
Bank interest received		197,064		
Other interest receivable		<u>134,244</u>		
Total credit interest		331,308		
Less special 50% allowance on total credit interest		<u>(165,654)</u>		
			<u>165,654</u>	
Chargeable income for the year			<u>600,295</u>	
			€	
Converted into € at US\$ 1.4200 = €1			422,743	
Loss brought forward			<u>(234,504)</u>	
Chargeable income 31 December 2008			<u>188,239</u>	
<u>Calculation of corporation tax</u>	Income	Rate	Total	Total
	€	%	€ c	US\$
<b>Tax at normal rates:</b>				
Chargeable income as above	<u>188,239</u>	10	18,823.90	26,730
10% penalty			<u>1,882.39</u>	<u>2,673</u>
<b>TAX PAYABLE</b>			<u>20,706.29</u>	<u>29,403</u>