Consolidated Financial Statements of

RENGAZ HOLDINGS LIMITED

For the year ended 31 December 2005

RENGAZ HOLDINGS LIMITED

Contents

RENGAZ HOLDINGS LIMITED

Directors and other information

Directors	Oleg Jelezko (Russian) Ben Hakham (British) James Keyes (Bermudian)
Investment manager	Renaissance Capital Investment Management Limited Palm Grove P.O. Box 3190 Road Town Tortola British Virgin Islands
Placement agent	Renaissance Capital Limited One Angel Court Copthall Avenue London EC2R 7HJ United Kingdom
Sub-advisor	Renaissance Capital Management Company Limited 22 Voznesensky Pereulok Moscow 125009 Russian Federation
Listing sponsor/ongoing sponsor	Reid Services Limited 41a Cedar Avenue PO Box HM 1179 Hamilton HM EX Bermuda
Administrator and registrar	Custom House Administration & Corporate Services Limited 25 Eden Quay Dublin 1 Ireland
Subsidiary administrator	Renaissance Investment Advisors Limited Capital Center, 9th Floor 2 – 4 Arch Makarious III Ave
Company secretary	Appleby Corporate Services (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 GT Grand Cayman Cayman Islands
Auditor	KPMG PO Box 493 GT Grand Cayman Cayman Islands, BWI

RENGAZ HOLDINGS LIMITED

Directors and other information *(continued)*

Bank	The Royal Bank of Scotland International Limited (Isle of Man) PO Box 151 Royal Bank House 2 Victoria Street Douglas Isle of Man IM99 1NJ United Kingdom
Legal advisers to the company (as to Bermuda law)	Appleby Spurling Hunter Canon's Court 22 Voctoria Street PO Box HM 1179 Hamilton HM EX Bermuda
Legal advisers to the company (as to United States law)	Chadbourne & Parke LLP 30 Rockefeller Plaza New York, New York 10112 United States
Legal advisers to the company (as to Cayman Islands law)	Appleby Spurling Hunter Clifton House 75 Fort Street PO Box 1350GT Grand Cayman Cayman Islands
Registered office	Clifton House 75 Fort Street PO Box 1350GT Grand Cayman Cayman Islands

RENGAZ HOLDINGS LIMITED

Investment Manager's Report

The year 2005 was one of the best in the history of Russia's stock market, with the CSFB ROS index gaining over 69% for the year, substantially outperforming the entire GEM universe. Such behavior was driven by a positive combination of global and domestic factors: increasing confidence in sustainable global growth and a prolonged cycle in commodity markets greatly increasing risk tolerance for investors, resulting in an accelerated inflow of money to emerging markets. Substantial re-rating of political risk was also an important growth driver for the market. The finalization of the Yukos affair and strong efforts by the government to rebuild the country's investment image brought positive results, resulting in the influx of a new class of investors to Russia at the end of the year.

The year 2005 was particularly successful to the Fund thanks to the final decision of the government on lifting all limits on foreign ownership in Gazprom. As a result the discount between the ADR and local shares of Gazprom has reduced substantially and allowed the fund to generate 131% return for 2005.

It is expected that all legal procedures for liberalization of trading with Gazprom shares will be completed by the end of 2006. According to existing announcements from the government and Gazprom management, the company plans to substantially increase its ADR program and make its shares freely convertible in 2006. The investment manager expects that the termination of the ring-fence on Gazprom shares will allow the fund to convert all its shares into Gazprom ADR's on the clients' behalf that will fully complete the Fund's investment objective.

Renaissance Capital Investment Management Limited
28 June, 2006

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying consolidated balance sheet of RenGaz Holdings Limited (the "Company") as at December 31, 2005, and the related consolidated statements of income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
28 June 2006

RENGAZ HOLDINGS LIMITED

Consolidated balance sheet

December 31, 2005

(stated in thousands of United States dollars)

	Note	**2005 USD'000**	2004 USD'000
Assets			
Cash and cash equivalents		15,852	44
Financial assets at fair value through profit and loss	*3*	842,775	317,511
Deferred tax asset	*7*	-	1,022
Other assets		2	20
Total assets		858,629	318,597
Liabilities			
Investment management fees payable	*5*	1,819	696
Administration fees payable	*6*	81	37
Broker fees payable	*9*	11,124	-
Dividends payable		4,390	-
Other accruals and fees payable		4,647	136
Taxes payable	*7*	9,734	8
Deferred tax liability	*7*	107,698	7,659
Total liabilities (excluding net assets attributable to holders of redeemable shares)		139,493	8,536
Net assets attributable to holders of redeemable shares		**719,136**	**310,061**
Redeemable shares in issue			
Series 1		20,314,293	19,999,999
Series 2		8,858,155	5,000,000
Net Assets Value per Series 1 redeemable share per financial statements	*11*	26.98	13.13
Net Assets Value per Series 2 redeemable share per financial statements	*11*	19.31	9.50

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board on 28 June, 2006.

Ben Hakham
Director

Oleg Jelezko
Director

RENGAZ HOLDINGS LIMITED

Consolidated income statement

Year ended 31 December 2005

(stated in thousands of United States dollars)

	Note	**2005 USD'000**	**2004* USD'000**
Income			
Interest		18	10
Net realised and unrealised gains on investments		498,725	54,318
Dividend Income		4,390	-
Foreign exchange loss		(214)	(132)
Net investment income		502,919	54,196
Expenses			
Investment manager fees	*5*	(4,233)	(1,183)
Consulting fees	*9*	(4,471)	-
Administrator and registrar fees	*6*	(603)	(158)
Audit fees		(64)	(50)
Organizational expenses		(52)	(410)
Directors' fees	*9*	(31)	(29)
Other fees and expenses	*8*	(201)	(22)
Brokerage fees	*9*	(11,124)	(78)
Current tax expense	*7*	(10,135)	(8)
Deferred tax expense	*7*	(101,061)	(6,637)
Total expenses		(131,975)	(8,575)
Finance Costs			
Dividend payable		(4,390)	-
Changes in net assets attributable to holders of redeemable shares resulting from operations		**366,554**	**45,621**

* Period from April 13, 2004 (date of incorporation) to December 31, 2004

See accompanying notes to consolidated financial statements.

RENGAZ HOLDINGS LIMITED

Consolidated statement of changes in net assets attributable to holders of redeemable shares

Year ended 31 December 2005

(stated in thousands of United States dollars)

	2005 **USD'000**	2004* USD'000
Balance at start of year/period	**310,061**	-
Changes in net assets attributable to holders of redeemable shares resulting from operations for the year/period	**366,554**	45,621
Issue of redeemable shares during the year/period	**363,428**	264,440
Redemption of redeemable shares during the year/period	**(320,907)**	-
Total net assets attributable to holders of redeemable shares at year/period end	**719,136**	310,061

* Period from April 13, 2004 (date of incorporation) to December 31, 2004

See accompanying notes to the financial statements.

RENGAZ HOLDINGS LIMITED

Consolidated statement of cash flows

Year ended 31 December 2005

(stated in thousands of United States dollars)

	2005 USD'000	2004* USD'000
Cash flows from operating activities		
Change in net assets attributable to holders of redeemable shares	366,554	45,621
Adjustments to reconcile net income to net cash used in operating activities		
Changes in operating assets and liabilities:		
(Increase) in investments	(525,264)	(317,511)
Decrease/(increase) in deferred tax asset and other assets	1,040	(1,042)
Increase in liabilities	130,957	8,536
Net cash used in operating activities	**(26,713)**	**(264,396)**
Financing activities		
Proceeds from issue of redeemable shares	363,428	264,440
Payments on redemption of redeemable shares	(320,907)	-
Net cash from financing activities	**42,521**	**264,440**
Net increase in cash and cash equivalents	**15,808**	**44**
Cash and cash equivalents at beginning of the period/year	44	-
Cash and cash equivalents at end of the period/year	**15,852**	**44**
Cash flows from operating activities include:		
Interest received	18	10

* Period from April 13, 2004 (date of incorporation) to December 31, 2004

See accompanying notes to consolidated financial statements.

1. Incorporation and principal activity

RenGaz Holdings Limited (the "Company") was incorporated with limited liability and unlimited duration on April 13, 2004 in the Cayman Islands under the provisions of the Companies Law as an exempted company. It was registered as a closed-ended investment company.

The Company's investment objective is to achieve a capital growth by investing in the shares of OJSC Gazprom, the largest Russian gas company.

The Company is listed on the Bermuda Stock Exchange.

The investment activities of the Company are managed by Renaissance Capital Investment Management Limited (the "Investment Manager"). The Investment Manager was incorporated and established in the British Virgin Islands in 2003 and specializes in investment management in emerging markets, especially in Russia.

The Registered Office of the Company is located at Clifton House, 75 Fort Street, P.O.Box 1350 GT, Grand Cayman, Cayman Islands. As at December 31, 2005 the Company had no employees.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ravett Holdings Limited and Gillow Enterprises Limited, which are incorporated in Cyprus as offshore companies, and Persey Securities LLC, Selen Securities LLC and Financial Investments LLC, which are incorporated in Russia, and are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IASB. Material intercompany balances and transactions are eliminated upon consolidation.

(b) Basis of preparation

The Company's participating redeemable shares are issued in United States dollars as the shares are marketed to international investors. The measurement and presentation currency of the consolidated financial statements is the United States dollar and not the local currency of the Cayman Islands reflecting the fact that the Company's shares are issued in United States dollars and distributions to investors are also made in United States dollars.

These consolidated financial statements are prepared on a fair value basis for derivative financial instruments and financial assets and liabilities at fair value through profit or loss. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost which is considered to approximate fair value due to the short-term nature of these assets and liabilities.

2. Significant accounting policies (continued)

(c) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate measurement currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated balance sheet are translated to the measurement currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the measurement currency at the foreign exchange rate ruling at the date of the transaction.

(e) Financial instruments

Classification
The Company classifies its investments as trading instruments which is a category of financial assets and liabilities at fair value through profit or loss. Other assets are classified as loans and receivables. Financial liabilities that are not at fair value through profit or loss include accounts payable and accrued expenses, due to broker, redemptions payable, subscriptions pending and financial liabilities arising on redeemable shares.

Recognition
The Company recognizes financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognized unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

Measurement and fair value measurement principles
All financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Subsequent to initial recognition all instruments classified at fair value through profit or loss are remeasured at fair value based on quoted bid prices for long securities and quoted offer prices for short securities. The policy set out above differs from the valuation policy as set out in the offering documents of the Company, which states that investment in securities are stated at the market value based on the last traded price on each valuation day. The policy is used to calculate the net asset value on each valuation day. There was no material difference between this policy and IAS 39.

Fair value for any of the investments held in the Company's portfolio, for which there are no transactions on the valuation date, are valued at the reasonably foreseeable sales price, estimated prudently and in good faith by the Directors on the advice of the Investment Manager.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. The Company uses the first-in-first-out method to determine realised gains and losses on derecognition.

(f) Dividend income

Investment transactions are accounted for on a trade date basis. The Company records dividend income gross of withholding taxes on an accrual basis.

(g) Interest income

Interest income is recognised in the consolidated income statement for all interest bearing instruments on an accruals basis. Interest income includes income earned on treasury bills and/or cash amounts held.

(h) Expenses

All expenses are recognised in the consolidated income statement on the accrual basis. Transaction costs incurred on the disposal of investments are deducted from the proceeds on sale.

2. Significant accounting policies (continued)

(i) Taxation

Income taxes for the year comprised of current and deferred tax. Income taxes were recognised in the consolidated income statement and deferred tax liabilities were recognised in the consolidated balance sheet.

Current tax was the expected tax payable on the Cyprus subsidiary's real taxable income for the year using tax rates enacted or substantially enacted at the consolidated balance sheet date.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the date of the consolidated statements of net assets and shareholders' equity.

(j) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash and margin commitments rather than for investment or other purposes.

(k) Dividends payable

Dividends payable on redeemable shares are recognised in the consolidated income statement as finance costs.

(l) Redeemable shares

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount. In accordance with the issued prospectus the Fund is contractually obliged to redeem shares at mid-market prices.

3. Investments

	2005 Cost	2005 Market value	2004 Cost	2004 Market value
	USD'000	USD'000	USD'000	USD'000
Listed equity securities	406,130	842,775	263,193	317,511

The investments in listed equity securities comprise of investments in OJSC "Gazprom", which is a Russian open joint stock company that specializes in all aspects of natural gas services. Gazprom owns and operates the Unified Gas Supply System, which is responsible for the gathering, processing, transportation and storage of substantially all gas supplies in Russia.

Investing in Russian securities involves risks not normally associated with investing in more developed markets and politically and economically stable jurisdictions. These risks include political, economic and legal uncertainties, delays in settling portfolio transactions and the risk of loss from Russia's market, underdeveloped systems of share registration and transfer. The limited size of the Russian market for securities also results in a lack of liquidity. As a result, the Company may be unable to liquidate its positions easily and may not receive proceeds approximating estimated fair values.

There is no guarantee of a return on the investment and no guarantee that a return or repatriation of any invested amounts in a convertible currency will be possible. These investments may involve greater risks than investments in well developed markets and the prices of such investments may be volatile due to the perceived credit risk. The consequences of political, social or economic changes in these markets may also have disruptive effects on the market prices of the Company's investments and the income they generate.

The Russian Federation has historically experienced political and economic instability which has affected and may continue to affect the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The accompanying consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the investments held by the Company. The future business environment may differ from management's assessment. The impact of such differences on the investments held by the Company may be significant.

The immediate effects could include declines in economic growth, a reduction in the availability of credit and borrowers' ability to service debt, an increase in interest rates, changes and increases in taxes, an increased rate of inflation, devaluation of the ruble, restrictions on convertibility of the ruble and movements of hard currency, an increase in the number of bankruptcies of entities (including bank failures), labour unrest and strikes resulting from the possible increase in unemployment, and political turmoil. These conditions and future policy changes could have a material adverse effect on the operations of the Company and the realisation and settlement of its assets and liabilities.

4. Share capital

The Company was incorporated with an authorized capital of USD50,000 divided into 100 Founder Shares of USD1.00 each and 49,900,000 participating shares of USD0.001 each (Series 1 and 2 Shares, redeemable shares or participating shares). The Investment Manager has subscribed for 100 Founder Shares, and such shares were allotted and issued, credited as fully paid, to the Investment Manager on April 13, 2004 in exchange for services to the Company. 29,900,000 participating shares of Series 1 and 20,000,000 participating shares of Series 2 of the Company are currently listed on the Bermuda Stock Exchange. 20,314,293 participating shares of Series 1 and 8,858,155 participating shares of Series 2 of the Company have been placed with the investors and accepted for trading on the International Bulletin Board (ITBB) of the International Order Book market of the London Stock Exchange.

Holders of the Series 1 Shares and Series 2 Shares have identical rights with respect to voting, notice, dividends, winding up, compulsory repurchase or redemption, dissolution and other rights set forth in the Articles of Association, as Series 1 Shares and Series 2 Shares shall be considered as a single class for the purpose of all such listed items.

The Founder Shares carry no right to any dividend and on liquidation they will rank *paripassu inter se* for return of the nominal amount paid up on them after the return of the nominal amount paid upon the shares. On a show of hands, every holder of Founder Shares shall have one vote and, on a poll, Founder Shares each carry one vote, except that while any participating shares are in issue no voting rights shall attach to the Founder Shares. Founder Shares may not be redeemed.

The participating shares carry a right to a return of the nominal amount paid up in respect of such participating shares in priority to any return of the nominal amount paid up in respect of Founder Shares, and an exclusive right to share in surplus assets remaining after the return of the nominal amount paid up on the participating shares and Founder Shares.

The Directors have absolute discretion as to the payment of dividends. The Company may pay dividends in correlation with any dividends or distributions declared by Gazprom on the Gazprom shares, although the Directors are not required to do so.

Movement in share capital regarding redeemable shares of the Company during the year ended December 31, 2005 is as follows:

Issued and fully paid	*1/1/2005*	*Issued*	*Redeemed*	*31/12/2005*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Series 1	20	16	(16)	20
Series 2	5	6	(2)	9

Movement in share capital regarding redeemable shares of the Company during the period ended December 31, 2004 is as follows:

Issued and fully paid	*13/4/2004*	*Issued*	*Redeemed*	*31/12/2004*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Series 1	-	20	-	20
Series 2	-	5	-	5

5. Investment manager fees

The Company pays the Investment Manager a management fee equal to 1 % per annum of the average daily Net Asset Value of the Company which is payable quarterly in arrears. The Investment Manager may also recover out-of-pocket expenses reasonably incurred by it in the performance of its duties.

The Investment Manager bears the costs and expenses incidental to the establishment of the Company and the placing of the shares, which are not expected to exceed US$330,000. However, the Company and the Investment Manager have agreed that the Investment Manager is reimbursed a pro rata amount equal to 0.25% per annum of the average daily Net Asset Value, such fee is to accrue each month and be paid quarterly in arrears, subject to total payment not exceeding the estimated cost as above. During the year ended December 31, 2005, investment management fees of US$4,232,549 (2004: US$1,182,537) were incurred, of which US$1,818,572 (2004: US$696,037) were payable at year end.

6. Administrator and registrar fees

Under the terms of the administration agreement, an administration fee is paid to the Company's administrator and registrar, Custom House Administration & Corporate Services Limited ("Custom House") at a rate of 0.125% per annum of the net asset value of the Company, subject to a weekly minimum fee of US$1,250. The fee is accrued daily and payable in arrears, on a monthly basis.

Custom House is also entitled to receive US$50 in respect of each subscription, redemption, repurchased share transfer, subject to an annual minimum of US$4,000. Custom House will also be entitled to receive all agreed out-of-pocket expenses properly incurred on behalf of the Company and a one-time review and set-up fee of US$4,000.

Under the terms of an addendum to the administration agreement dated November 10, 2004, a daily additional administration charge of $100 per day is paid to the administrator from the assets attributable to the Series 2 shares.

From 1 December 2004, following an addendum to the administration agreement, the administration fee is paid to Custom House at a rate of 0.2% per annum of the net asset value if such net asset value is under US$50 million. This falls to 0.15% per annum if such net asset value is between US$50 million and US$200 million, 0.10% per annum if such net asset value is between US$200 million and US$400 million and 0.075% per annum if such net asset value exceeds US$400 million.

During the year ended December 31, 2005, administration fees of US$603,418 (2004: US$157,771) were incurred, of which US$80,663 (2004: US$37,067) were payable at year end.

7. Taxation

The Cayman Islands

The Cayman Islands at present impose no taxes on profit, income, capital gains or appreciations in value of the Company. There are also currently no taxes imposed in the Cayman Islands by withholding or otherwise on the Shareholders on profit, income, capital gains or appreciations in respect of their Shares nor any taxes on the Shareholders in the nature of estate duty, inheritance or capital transfer tax.

Further, the Company has obtained an undertaking from the Cayman Islands Government that, for a period of twenty years, no law which is enacted in the Cayman Islands imposing any tax on such profit, income, capital gains or appreciations will apply to the Company and that, for the same period of twenty years, no taxes on such profit, income, capital gains or appreciations nor any tax in the nature of estate duty or inheritance tax will be payable on the shares, debentures or other obligations of the Company.

As an exempted company, the Company is liable to pay in the Cayman Islands a registration fee based upon authorized share capital at a rate currently not exceeding US$2,400 per annum.

Cyprus

The Company's investment activity is undertaken through the Cyprus subsidiaries to take advantage of the favourable provisions available to Cypriot companies investing in Russia that continue to apply the Russia/Cyprus double taxation treaty ("DTT"); the exemption of tax applicable in Cyprus to investing companies with effect from January 1, 2003; and the freedom from Cypriot withholding taxes on dividends remitted by a Cypriot company.

Tax resident companies are exempted from the Cypriot income tax of 10% if their income is (a) derived from the disposal of securities, and (b) received as dividends from any non-resident company, provided, however, that the recipient of dividends directly holds at least 1% of the share capital. This exemption does not apply if the company paying the dividend is engaged in more than 50% of those activities from which it derives its investment income and if the foreign tax burden on the income of the company paying the dividend is substantially lower than the Cypriot tax burden. If the above conditions are not met, the dividend income is subject to taxation at 15% (on the availability of tax credits for taxes paid in Russia, see "Russian Federation" below).

No Cypriot withholding taxes will apply with respect to any distribution of profit by the Cyprus subsidiaries to the Company, which is a non-resident of Cyprus.

The applicable tax rate for current tax for the Cyprus subsidiary is 10%. The income tax expense amounted to US$83,201 (2004: US$8,000).

7. Taxation (continued)

Russian Federation

Taxation of dividends

Dividends paid by Gazprom on shares owned by a Russian subsidiary will be subject to withholding tax at a current rate of 9%, which constitutes a final tax and such dividends will not be included in the taxable income of Russian subsidiary. Any such withholding tax cannot be offset by Russian subsidiary against any other tax and is not recoverable in case of losses.

Currently, dividends distributable by a Russian company to a foreign subsidiary which does not have permanent establishment in Russia are generally subject to withholding tax on Russian source income at 15%, unless a reduced rate or complete relief from taxation is provided by a DTT.

Pursuant to the effective Russia/Cyprus DTT, Russian withholding tax on income at a rate of 5% applies to dividends paid by Russian companies to the Cyprus subsidiary when the latter has invested at least USD100,000 in the Russian company. A 10% withholding rate applies if this condition is not met. The reduced tax rates can also be applied in accordance with the Russia/Cyprus DTT, provided that the Cyprus subsidiary does not have a permanent establishment in Russia.

Taxation of capital gains

Under the Russia/Cyprus DTT, income from the sale of shares of a Russian company are not taxed in Russia, as the Cyprus subsidiary is not considered to have a permanent establishment in Russia.

Management believes that the Cyprus subsidiary conducts its affairs in such a way that it will not be deemed to have a permanent establishment in Russia. Should the Russian authorities regard the Cyprus subsidiary as having a permanent establishment in Russia to which the investments in Russian companies are attributed, capital gains from the disposal of Russian shares would be subject to profits tax at a rate of 24%.

The applicable tax rate for current tax for the Russian subsidiaries is 24%. The income tax expense amounted to US$10,052,000 (2004: US$0).

Current tax expense

Current tax is calculated at 10% on taxable income of Cyprus subsidiaries and at 24% on taxable income of Russian subsidiaries.

Deferred tax expense

Deferred tax expense represents temporary differences between tax value and accounting base attributable mainly to the Company's investments in OJSC "Gazprom" at the applicable tax rate of 24%. These temporary differences do not expire under current Russian tax legislation.

8. Other fees and expenses

Other fees and expenses comprise the following amounts;

	2005 US$'000	2004 US$'000
Professional services	112	-
Other expenses	89	22
	201	22

9. Related party disclosures

Investment Manager

The Company appointed Renaissance Capital Investment Management Limited, an investment management company incorporated in the British Virgin Islands, to implement the investment strategy as specified in the prospectus. Two of the directors, Oleg Jelezko and Ben Hakham, are also employees of companies affiliated to the Investment Manager.

Directors' fees

The total directors' fees are disclosed in the income statement. The listing of the members of the Board of Directors is shown on page 3 of these financial statements. No director had any interest in the shares of the Company or in any contract of significance with the Company during 2004 or 2005.

Consultancy fees

Consultancy fees for the year ended 31 December 2005 of US$4,470,309 (2004: US$Nil) were paid by two subsidiary undertakings; Selen Securities LLC and Financial Investments LLC. The amounts were paid to LLC Renaissance Capital – Financial Consultant, a related party affiliated to the Investment Manager, for services connected with a detailed analysis of the valuation of Gazprom, changes in Russian law and issues connected with the documentary support of transactions with Gazprom shares.

Brokerage fees

Brokerage fees relate to commissions charged to Selen Securities LLC, Financial Investments LLC and Ravett Holdings Limited by JSV Renaissance Capital and Renaissance Broker LLC, related parties affiliated to the Investment Manager, RCIML.

Shareholding of related parties

The investment manager holds 100 Founder Shares of the Company.

9. Related party disclosures (continued)

Transactions with related parties

Other related parties are those related to the Investment Manager. During the period the Company purchased and sold securities to the companies affiliated to the Investment Manager which amounting to US$712,799,942 (2004: US$251,078,000).

10. Financial instruments and associated risks

Exposure to market, credit, currency and liquidity risk arises in the normal course of the Company's business, the amount of which is not apparent from the consolidated financial statements.

(a) Market risk

Market risk represents the potential loss that can be caused by a change in the market value of the Company's financial investments. The Company's exposure to market risk is determined by a number of factors, including interest rates and market volatility. The Investment Manager monitors the Company's exposure to market risk.

(b) Credit risk

Credit risk represents the potential loss that the Company would incur if the financial instrument counter-parties failed to perform pursuant to the terms of their obligations to the Company. Credit risk is generally higher when a non-exchange-traded financial instrument is involved, because the counterparty is not backed by an exchange clearing house.

Securities transactions are cleared through, and held in custody by two financial institutions. The Company is subject to credit risk to the extent that these institutions may be unable to return the Company's securities or to repay amounts owed.

(c) Currency risk

The Company incurs foreign currency risk on certain cash balances that are denominated in a currency other than US dollars. The Company's exposure to currency risk at December 31, 2005 is securities denominated in rubles in the US$ equivalent amount of US$842,775,000 being the full value of the investment (2004: US$317,511,000).

(d) Interest risk

As the Company only invests in one equity security it has limited exposure to interest rate fluctuations. Any excess cash of the Company is invested in short-term fixed deposits which earn interest at market rates.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments. Liquidity risk may result from an inability to sell investments quickly at close to fair value.

10. Financial instruments and associated risks (continued)

Due to the Investment Manager's prominence in the Russian equities market, it is possible for total shareholdings amongst all funds managed by the Investment Manager to become a significant proportion of certain of the investees' outstanding shares.

11. Reconciliation of audited net asset value to net asset value as reported to shareholders

The net asset value per the financial statements differs from the net asset value as reported to shareholders at the year end. The differences arise from additional liabilities identified post year end for brokerage and consulting fees and Russian taxes as the information to calculate them at the year end was not available until January 2006. The following represents a reconciliation of the two positions;

	Series 1	**Series 2**
Net asset Value as reported to shareholders	569,275,030	175,780,342
Adjustments		
Brokerage fees	(8,555,608)	(2,568,418)
Russian taxation	(8,791,752)	(859,247)
Consultancy fees	(3,312,198)	(1,158,111)
Deferred tax and miscellaneous	(512,269)	(161,769)
Net Asset Value per Financial Statements	548,103,203	171,032,797

	Series 1	**Series 2**
NAV per share as reported to shareholders	28.02	19.84
Adjustments		
Brokerage fees	(0.42)	(0.29)
Russian taxation	(0.43)	(0.10)
Consultancy fees	(0.16)	(0.13)
Deferred tax and miscellaneous	(0.03)	(0.01)
NAV per share per Financial Statements	**26.98**	**19.31**

12. Comparative period

The previous period runs from April 13, 2004 to December 31, 2004. Certain of the prior period figures have been reclassified to conform to the current year presentation.

13. Post balance sheet events

Subsequent to the end of the financial period, following the removal of restrictions on non-Russian persons holding common shares in OAO Gazprom, the directors moved to simplify the investment structure of the Company. The Gazprom shares currently held by the Company have been transferred from Russian subsidiaries to a Cypriote subsidiary. In addition, it is proposed that the investment structure be simplified further by removing the Russian subsidiaries from the group.

14. Approval of financial statements

The directors approved the financial statements on 28 June 2006.