

original in the Russian language

CJSC SSMO “LenSpecSMU”

Financial statements

As at 31 of December, 2004 together with Report of independent auditors

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REPORT OF INDEPENDENT AUDITORS

To shareholders of the company CJSC SSMO "LenSpecSMU"

We have audited the attached consolidated balance sheet of the company CJSC SSMO "LenSpecSMU" (hereinafter – "Company") as at 31 of December, 2004 as well as the corresponding profits and losses reports, on changes in owner's equity and on cash flow for the accounting year then ended. These financial statements are responsibility of the governing body of the Company. Our responsibility is to express our opinion on this consolidated financial statements basing on the audit conducted.

We have been conducting the audit in accordance with the International standards on auditing. Those Standards require that we plan and perform the audit in order to obtain reasonably assurance about whether the financial statements are free of material misstatement. The audit includes examining on a test basis, evidence supporting the amounts contained in the financial statements and the information disclosed therein. Besides that the audit includes the analysis of accounting principles used and essential estimates made by the governing body as well as the analysis of general presentation of the financial statements. We believe that the audit check conducted provides a reasonable basis for our opinion.

In our opinion, the above mentioned consolidated financial statements, in all material aspects, regarding 2004, provides true representation of the financial position of the Company as at 31 of December, 2004, of the consolidated results of its activity and of its consolidated cash flow in accordance with the International financial reporting standards published by the International reporting standards committee.

16 of June, 2006

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Company CJSC SSMO "LenSpecSMU"

financial statements

BALANCE SHEET

(Thousand Russian rubles)

	Notes	2003	2004
Cash and cash equivalents	4	55 766	24 101
Available-for-sale financial investments (AFS) (short-term)	5	26 352	279 806
Loans given (short term)	5	611	15 138
Account receivables (short-term)	6	501 907	591 400
VAT for values purchased	6	44 174	14 866
Inventories	7	2 420 095	2 849 274
<i>(including work in process)</i>		2 250 482	2 370 181
Other current assets	8	18 482	95 666
Total, current assets		3 067 387	3 870 251
Account receivables (long-term)	6	1 107 323	1 129 715
Property, plant and construction in progress objects and intangible assets	9	201 204	55 087
<i>(including Property, Plant and Equipment and construction in progress objects</i>		<i>200 674</i>	<i>54 558</i>
<i>intangible assets)</i>		<i>535</i>	<i>529</i>
Long-term investments	10	260 801	366 807
Available-for-sale financial assets (AFS) (long-term)	10	194 350	582 224
Loans given (long term)	10	19 916	2 642
Deferred tax assets	12	24 933	26 540
Total, non-current assets		1 808 527	2 163 015
Total, assets		4 875 914	6 033 266
Short-term credits and loans		0	360
Liabilities (short-term) ()	11	951 287	878 610
Deferred income	11	2 909 798	1 867 179
Other short-term liabilities	8	3503	0
Total, short-term liabilities ,		3 864 588	2 746 149
Long-term credits and loans	13	1 546	2 040
Long-term liabilities for purpose financing	11	892 949	2 977 499
Deferred tax liabilities	12	803	1 310
Total, long-term liabilities		895 298	2 980 849
Total, liabilities		4 759 886	5 726 998
Share capital, total		200	200
Premium share		72 063	72 063
Retained earning	14-17	43 765	234 005
Total, equity		116 028	306 268
Total, liabilities and equity		4 875 914	6 033 266

Signed by the Board of Directors of the Company

General director

Chief accountant

16 of June, 2006

The accompanying notes are the essential part of these financial statements

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Company CJSC SSMO "LenSpecSMU"

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INCOME STATEMENT

(Thousand Russian rubles)

	Notes	2003	2004
Revenue	14	1 864 735	5 965 260
Cost of sales	15	(1 781 011)	(5 678 421)
Gross profit		83 724	286 839
Selling expenses	16	(79 400)	(117 949)
General and administration expenses	16	(32 121)	(31 796)
Taxes, other than income tax		(11 375)	(7 458)
Other operational profits/losses (balance)	17	77 096	118 741
Operational profit		37 924	248 378
Interest income		5 506	998
Interest expenses		(2 440)	(4 319)
Translation difference		(39)	-
Income before income tax, minority interest		40 951	245 057
Income tax		8 473	(51 817)
Profit before minority interest		49 424	193 240
Net profit		49 424	193 240
Dividends		-	(3 000)
Net inappropriate profit		49 424	190 240

The accompanying notes are the essential part of these financial statements.

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Company CJSC SSMO "LenSpecSMU"

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FINANCIAL STATEMENTS ON CHANGES IN THE EQUITY CAPITAL As at 2003 and 2004 accounting periods ended on 31 of December

(Thousand Russian rubles)

	Balance on 31.12.2003	Flow	Balance on 31.12.2004
Share capital	200		200
Share premium	72 063		72 063
Retained earning	43 765		43 765
Net inappropriate profits (loss) of the current year		190 240	190 240
Net profit		193 240	193 240
Dividends		(3 000)	(3 000)
Total equity, attributable to shareholders of the Parent	116 028	190 240	306 268

The accompanying notes are the essential part of these financial statements

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Company SCJC SSMO "LenSpecSMU"

financial statements

STATEMENTS OF CASH FLOWS

(Thousand Russian rubles)

	2003	2004
Cash flows from operating activities	618 083	551 399
Income before profits tax, minority interest	40 951	245 057
Adjustments for bringing the net profit to the net income (use) of cash for operational activity	48 388	(17 272)
Changes in Account receivables	(721 061)	(83 288)
Changes in Inventories	(581 076)	(426 560)
Changes in Other assets	(443)	(79 803)
Changes in account payable	1 909 409	956 329
Changes in Other liabilities	(58 370)	(3 502)
interest payable	(3 019)	(4 250)
Income tax paid	(16 696)	(35 311)
Net cash flows (use) from operating activities	0	(2 944)
Net cash flows (use) from investment activity	(652 789)	(583 064)
Intangible assets, Property, Plant and Equipment - purchase and investments into construction in progress	(132 054)	(73 642)
Income from sale of intangible assets, Property, Plant and Equipment and construction in progress objects	9 726	1 980
Account receivables adjustment for advances for equipment and capital construction	(39 014)	(5 210)
Long-term investments purchase	(438 274)	(444 014)
Long-term investments sale		354 031
Other investments purchase (other than long-term and trading financial investments)	(35 695)	(423 699)
Other investments sale (other than long-term and trading financial investments)		1 760
Trade investment loans	27	2 846
Repayment of trade investment loans	1 485	1 904
Loans given	(19 611)	(83 017)
Loans repaid	586	84 118
Interest received		45
Income received from participation in other organizations	35	(1 082)
Currency exchange influence on cash and cash equivalents	(5 102)	916
Balance of cash at the beginning of the period	90 472	55 766
Balance of cash at the end of the period	55 766	24 101
Net flow of cash and cash equivalents	(34 706)	(31 665)

The accompanying notes are the essential part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2004

(Thousand Russian rubles)

1. Principal activities

The company CJSC SSMO "LenSpecSMU" specializes in mass house building under brick and monolith technology in the field of higher comfort and business-class housing.

At present the share of the building market falling on the objects erected by the holding "LenSpecSMU" constitutes around 5% of the whole building market of Saint-Petersburg. In 2003 CJSC SSMO "LenSpecSMU" constructed building of total area 107 813 sq. m.

The Company performs the whole cycle of investment and building process – from projecting of real estate to its operation.

The company Closed joint stock company Specialized Building and Assembly Association "LenSpecSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of the Articles of Association was registered by the Resolution of the Registration chamber of Saint-Petersburg dated 25.06.2006.

CJSC SSMO "LenSpecSMU" has the following licenses:

- Licenses for carrying on activity on building of edifices and constructions.
- Licenses permitting carrying on realty activity.
- Licenses permitting carrying on activity on operation of underground constructions.
- License permitting carrying on activity on projecting of underground constructions.
- License permitting carrying on activity on projecting of edifices and constructions.

Shareholders of the Company are individuals, citizens of the RF. The main office is located in Saint-Petersburg at the address: Bogatyrskiy prospect, 2.

Average list number of Company's employees in 2004 constituted 868 persons.

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NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

2. Basis of preparation

General

The accompanying financial statements have been prepared according with the International financial reporting standards ("IFRS") and is represented in thousand Russian rubles ("thousand rubles"). The Russian ruble is utilized as measurement currency as the majority of the Company's operations are expressed, measured or paid in Russian rubles. Operations in other currencies are treated as transactions in foreign currencies.

Making financial statements requires from the head body certain estimates and assumptions in respect of amounts stated in the statements. Such estimates are based on the information known at the date of the financial statements. Actual results, therefore, may differ from such estimates.

The Company must account and prepare financial statements for the purposes of regulating bodies in Russian rubles in accordance with the Russian accounting standards (RAS). The accompanying financial statements were prepared on the basis of official accounting registers considering corrections and re-groupings of particular items in accordance with IFRS.

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2004

(Thousand Russian rubles)

2. Basis of preparation (sequel)

Below are set forth the main provisions of accounting policy in accordance with which this financial statements of the Company was prepared:

Acceptance of IFRS 1 "First time Adoption of IFRSs"

In 2003 the Company for the first time started using IFRS for preparing financial statements. In accordance with IFRS 1 financial statements of an organization, for the first time prepared under IFRS – it is the first annual reporting in which the organization declared following IFRS by clear and unconditional declaration of following IFRS which assumes the use of principle of comparability of the data for the accounting and previous accounting periods.

In 2004 the Company continued using IFRS for preparation of reporting. Due to the fact that the opening balance of this financial statements (i.e. of the reporting as at 31.12.2003) was prepared in accordance with the requirements of IFRS the reporting as at 31.12.2004 can be acknowledged as fully complying with IFRS 1.

Inflation accounting

By resolution of international bodies regulating accounting and financial reporting, from 1 of January, 2003 the Russian Federation does not meet the criteria of hyperinflation economy, stated by IAS 29 "Financial Reporting in Hyperinflationary Economies". Starting from 2003 and during the following years the Company will not apply IAS 29 to the current accounting periods and will content itself with representation of the aggregate influence of indexation on hyperinflation till 31 of December, 2002 on non-monetary items of the financial reporting. Monetary items and activity results will be recognized in the amounts of actual nominal amounts.

**NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2004**

(Thousand Russian rubles)

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents are recognized in accounting and evaluated by fair value. Cash and cash equivalents include cash on hand, assets in crediting organizations and highly liquid investments with maturity date up to ninety days from the date of occurrence not charged with any agreed liabilities.

Principal activities account receivables

Principal activities account receivables are liabilities of individuals and legal entities to the Company under settlements for not redeemed flats.

Account receivables are recognized by balance value less formed provision for bad and doubtful debts, if required. Bad debts of particular contractors are written-off by attributing directly to the profits and losses report.

Taxes to be returned

Taxes to be returned are incoming value added tax (hereinafter – VAT) as well as debit balance for other tax

Inventories

For accounting construction in progress objects of the companies group "LenSpecSMU" IAS 2 "Inventories" is used. This standard is used due to the impossibility of using IAS 11 "Construction Contracts".

Rejection to use IAS 11 is caused by the fact that the companies into the Holding perform customer-builder functions. Companies of the Holding perform investing and organize building and operation of typical housing but do not perform building works under contract of work and labor. Risks related to the objects being built pass over onto share holders after commissioning of the house by the State commission and registration of the co-investors' – share holders property for the housing being purchased.

The inventories are evaluated by the lower of two figures – cost value and net realizable value.

The cost value of the inventories is to include all expenses for purchase, producing expenses and other expenses related directly to the cost value of finished production.

Administrative expenses not related directly with bringing the reserves to their present state as well as selling expenses are not included into the cost value of the inventories.

Short-term investments

The Company accounts investments in accordance with IAS 32 "Financial instruments: disclosure and presentation of information" and IAS 39 "Financial instruments: recognition and evaluation". The Company determines the corresponding classification of investments at the moment of purchase and re-valuates them at the date of making balance-sheet if it is required under IAS (IFRS).

Short-term investments include bills of exchange of banks and legal entities which bills of exchange were purchased for short-term financial investments and recognized by fair value. Change in the amounts of fair value for short-term investments is recognized in the structure of profits and losses report.

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NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

3. Significant accounting policies (sequel)

Long-term investments

Long-term investments consist of long-term bills of exchange, investments into other companies' shares, interests in garage-building cooperatives as well as include loans given to legal entities. Investments into shares and interests which do not have settled circulation market are accounted by their initial value. In case of lowering of long-term investments cost, such lowering being permanent, such investments balance value is corrected accordingly.

Fixed assets

Property, Plant and Equipment are accounted by purchasing value considering inflation less accumulated depreciation and devaluation reserve.

For each date of report the Holding determines presence of any evidence of devaluation of the fixed assets. If there are any the Holding performs evaluation of compensated cost which is determined as the largest of net cost of asset sale and cost received in its using. Amortization of assets in construction and assets not commissioned for operation start from the date when such assets are put into operation. Depreciation is calculated using linear method basing on the following terms of effective use:

	<u>Years</u>
Buildings, constructions	25-30
Machines and equipment	3-5
Other FA	5

Balance value of the Property, Plant and Equipment is revised as at each date of report in order to have possibility to track whether they are evaluated higher than their replacement cost, and evaluation of the assets decreases to their replacement cost. The devaluation reserve is acknowledged to be expenses in the current accounting period and is included into administrative and operational expenses.

Repair and replacement expenses for Property, Plant and Equipment objects are attributed to profits and losses account as they occur and are included in the structure of other administrative and operational expenses in case when they are not capitalized in the structure of corresponding fixed asset value.

Liabilities, account payable, deferred income

In accordance with the share participation agreements investors-share holders invest into the LenSpecSMU paying advances intended for housing building. As building and assembly works are performed and commissioned by the customer-builder (LenSpecSMU) the advances received from share holders are attributed to the deferred income and included into the structure of short-term liabilities.

At finishing building, objects of building commissioning by the state commission, registration of ownership rights for housing by the share holders and passing over the objects of building to the respective owners there performed writing-off of deferred income and advances received to the financial result for each object.

**NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2004**

(Thousand Russian rubles)

3. Significant accounting policies (sequel)

Deferred taxes

Deferred taxes are calculated using the "balance liabilities" method which is based on the concept of temporary differences. Temporary differences are differences between accounting value of assets and liabilities recognized in balance sheet and their taxation base. Within the bounds of this method deferred taxes are to be recognized for all temporary differences except for some particular cases. Deferred taxes recognized as assets or liabilities are recognized at taxation rates which are expected in that period when the given asset will be received or the given liability will be paid up on the basis of taxation rates and laws in force on the date of accounting report. Assets of deferred taxation are recognized only in that case when there is sufficient degree of confidence in receiving the corresponding taxable profit subject to temporary differences accepted to decrease taxable base.

Share capital

Share capital is recognized by its historical value. Contributions to the authorized capital in the form assets other than cash are recognized by their fair value on the date of contribution. Treasury shares redeemed are recognized by their recalculated value. Profits and losses from sales of shares redeemed from shareholders are attributed to or written-off from the Revaluation reserve.

Dividend for regular shares is acknowledged in the structure of equity of the Holding and decrease them in the period when those dividend is declared. Dividend declared after an date of report is included into the section "Further events" according to IAS 10 "Events After the Balance Sheet Date" and are disclosed accordingly.

Incidental expenses

Incidental expenses are recognized in financial reporting only at occurrence of circumstances in which there may be needed assets to regulate liabilities the amount of which can be evaluated with sufficient reliability. Incidental income is not recognized in financial reporting but is disclosed when there appears probability of economical benefit receipt.

Recognition of income/expenses related with the principal activities

The proceeds from sales of built housing and other principal activities and expenses related with the principal activities are recognized in the same period. In accordance with IAS 18 "Revenue" the signs of revenue are: transfer of considerable risks onto customer; possibility to evaluate reliably the amount of proceeds; possibility to evaluate reliably the amount of expenses; high probability of income of economical benefits to the company.

All profits received and expenses incurred are recognized in these financial statements in detail less VAT.

Out-of-sale profits and expenses

Interest profits and expenses are recognized using accrual concept and are calculated using effective interest rate method.

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

4. Cash and cash equivalents

As at 31 of December cash and cash equivalents consist of the following items:

	2003	2004
Cash	7 079	15 470
Cash	1 293	562
Current and settlement accounts	5 786	14 908
Cash equivalents	48 687	8 631
Deposit certificates	44 829	5 011
Bills of exchange	1 645	0
Other cash equivalents	2 213	3 620
TOTAL	55 766	24 101

5. Financial assets (short-term)

As at 31 of December, 2004 short-term financial assets include other items:

	2003	2004
Available-for-sale financial assets (AFS)	26 352	279 806
Other bills of exchange (except for bills of exchange of banks)	26 352	279 790
Other investments		1
Other financial investments		15
Loans given to legal entities	611	15 138
Loans given to affiliated companies		15 105
Loans given to other companies		33
TOTAL	26 963	294 911

Other bills of exchange are bills of exchange of individuals and legal entities issued to LenSpecSMU in return for flats and shares in garage-building cooperatives.

In accordance with the practice LenSpecSMU executes with garage-building cooperatives (SGBC) a share participation agreement in building a house. The subject of such agreement is activity of LenSpecSMU (customer-builder) and SGBC (share holder) for investing and building garages (places for cars) on the territory of objects built by LenSpecSMU.

At the end of building SGBC receives as property premises at the addresses of objects built and LenSpecSMU receives shares in SGBC.

In 2004 main issuers of bills of exchange were:

SGBC "Zhivoy rodnik"	187 967
SGBC "Zolotaya gavan"	45 399
SGBC "Morskoy fasad"	10 884
SGBC "Morskoy kaskad"	2 156
SGBC "Primorskiy", "Na Grazhdanskom"	5 977
TOTAL	252 383

Bills of exchange were accepted as payment for share building also from individuals (for the amount of 22 898 thousand rubles) and from Univesal Invest Company (4 525 thousand rubles).

Loans given to legal entities are loans given to different legal entities including affiliated companies:

CJCS "LenSpecSMU-Comfort"	7 244 thousand rubles
CJCS "Elektronstroy-1"	5 251 thousand rubles
CJCS UK SH "Etalon-LenSpecSMU"	2 553 thousand rubles

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

6. Account receivables, VAT and taxes payable

As at 31 of December, 2004 account receivables of the Company consists of the following items:

	2003	2004
Account receivables (short-term)	501 907	591 400
Account receivables for the principal activities	68 896	132 173
Account receivables for the principal activities	68 851	129 445
Account receivables accompanied by bills of exchange	45	2 728
Advances paid	60 705	105 475
Advances to suppliers for the principal activities	21 691	61 251
Advances for purchase of equipment and capital construction	39 014	44 224
Other account receivables and up-front money	378 729	363 495
Other account receivables and up-front money	378 729	363 495
Created account receivables reserve (-)	(6 423)	(9 744)
Account receivables (long-term)	1 107 323	1 129 715
TOTAL	1 609 230	1 721 115

Account receivables have the following structure:

- Account receivables under investment agreements – 132 173 thousand rubles,
- Account receivables under other agreements – 468 970 thousand rubles.

The largest external debtors for advances given are LenEnergO (settlements for electricity), Petroprofile, Mechtrest, Atrium, architecture workshops – settlements for building and assembly and architecture and planning works.

External debtors for other account receivables and up-front money include settlements under lease agreements, settlements for flats redeemed from individuals, settlements for shares in GBC and other settlements.

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Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

Considerable part of account receivables of CJSC SSMO LenSpecSMU (about 65%) falls on settlements with affiliated companies:

	2003	2004
Account receivables (short-term)	168 394	15 774
Accounts receivable for principal activities	25 037	6 973
001602 – CJSC "SPb MFTC"	838	838
001606 - CJSC "LenSpecSMU – Reconstruction"	6 096	172
001611 - LLC "ORGTECHREMSTROY"	249	0
001612 - CJSC "Energy company "Teplogarant"	8	91
001614 - OJSC "SMU "Elektronstroy"	75	232
001615 - CJSC "Building materials factory "Etalon"	3 324	1 447
001616 - CJSC "Etalon-PozhStandart"	77	77
001617 - CJSC "AKTIV"	14 370	4 116
Advances given	0	5 001
001612 - CJSC "Energy company "Teplogarant"	0	4 876
001616 - CJSC "Etalon-PozhStandart"	0	125
Other account receivables and up-front money	143 357	1 665
001606 - CJSC "LenSpecSMU – Reconstruction"	0	454
001602 - CJSC "SPb MFTC"	143 276	
001612 - CJSC "Energy company "Teplogarant"	14	1 004
001614 - OJSC "SMU "Elektronstroy"	57	58
001617 - CJSC "AKTIV"	10	149
Indebtedness of other organizations for dividend payment	0	2 135
001602 - CJSC "SPb MFTC"	0	2 135
Account receivables (long-term)	1 107 448	1 129 715
Other account receivables and up-front money	1 107 448	1 129 715
001602 - CJSC "SPb MFTC"	1 107 323	1 129 715
001616 – CJSC "Etalon-PozhStandart"	125	0
TOTAL	1 275 842	1 145 489

Long-term account receivables in the amount of 1 129 715 thousand rubles is settlements with CJSC "SPb MFTC" for building objects "Birzhevoy passage", "Morskoy fasad" and "Morskoy kaskad", etc.

VAT and returning taxes constitute 14 866 thousand rubles :

VAT	13 265
Returning taxes (other than VAT)	1 601
TOTAL	14 866

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

7. Inventory

As at 31 of December the inventory of the Company include the following items:

	2003	2004
Raw stuff and materials reserves	33 261	20 974
Main (under approved nomenclature)	9 993	10 183
Engines (pcs.)	18	0
Brick (thousand pcs.)	19	0
Scrap metal	0	121
Metal-roll (armature, angle bars, metal bars, etc.)	621	120
Materials for inside finishing	1 623	0
Boards, WPB	174	150
Special clothing	196	54
Instruments	1 698	1 343
Inventories and utilities	3 828	6 336
Cement	586	1 942
Sand	1 195	107
Concrete and reinforced concrete items	35	10
Others	19 726	5 287
Fuel	592	1 300
Gas	26	8
Gasoline	134	309
Diesel fuel	432	983
Tare and tare materials	55	1 179
Spare parts	2 482	2 612
Other reserves	413	413
Finished production and goods for re-sale reserves	136 353	458 119
Main (under approved nomenclature)	136 353	458 119
Containers (pcs)	165	0
Food products (thousand tons)	12	1
Secondary market flats	10 621	10 387
Own flats	108 905	332 573
Built-in premises	13 173	111 081
Materials for inside finishing	83	0
Inventories and utilities	1	0
Supplements (clocks, albums, vacuum-cleaners, etc.)	3 393	4 077
Work in process	2 250 482	2 370 181
TOTAL	2 420 095	2 849 274

Work in process include flats in progress, infrastructure objects and objects of production purpose.

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

The largest objects for total sum of **2 370 181** thousand rubles:

Objects	2003	2004
	CJSC SSMO "LenSpecSMU"	
Lansky block	728 857	17 920
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	654 531	369 052
Novaya Grazhdanka	314 170	
Dolgoozernaya st., flat 27A	110 200	
V. O. Birzhevoy passage, 12	150 871	683 427
House near Chernaya rechka	91 367	
House on Serebrystiy	83 384	
Infrastructure objects	60 404	66 968
House in Ozerki	23 478	
Tkachey, 5	15 460	93 049
Zolotaya Gavan'		361 675
Ol'minskogo st.		195 401
House on Avangardnaya st.		47 426
House on Serebrystiy		421 275
Other objects	17 760	113 988
TOTAL	2 250 482	2 370 181

Per object comparison for 2003 and 2004 shows that the largest objects of building during two years were objects: «Birzhevoy passage» and «Zhivoy rodnik». In 2004 the Company started building of such large objects as «Zolotaya gavan'», «House on Serebrystiy» and so on.

Flats redeemed for further re-sale (in particular – at the secondary market) as well as built at Holding's own account or at account of saved assets of depositors are included in the structure of finished production and goods for re-sale reserves.

Structure of construction in progress for expenses items is shown below:

	2003	2004
Investment payment	164 699	
VAT for capital investments at objects of building	343 378	361 642
BAW (building and assembly works)	1 581 153	1 972 221
General economical expenses (26 account)	117 550	
Others	43 702	36 318
TOTAL	2 250 482	2 370 181

Flats redeemed for further re-sale (in particular – at the second market) for the amount of 10 387 thousand rubles as well as those built at own expense or at account of saved assets of investors for the amount of 332 573 thousand rubles are included in the structure of finished production and goods for re-sale reserves.

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NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

8. Other current assets

	2003	2004
Other current assets	18 482	95 666
Other current assets	3 417	83 220
Deferred expenses	15 065	12 446
Other short-term liabilities	3 503	0
TOTAL Other assets, liabilities	18 482	95 666

Deferred expenses in the structure of other current assets have the following structure:

	2003	2004
Deferred expenses	15 065	12 446
Deferred expenses as up-front money	14 410	12 224
Subscription	22	135
Insurance		10
Staff training	265	265
Licenses	17	
Others	14 106	11 814
Other deferred expenses	655	222

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

As at 31 of December, 2004

(Thousand Russian rubles)

9. Property, plant and equipment, capital construction in progress objects

Property, Plant and Equipment, capital construction in progress objects flows during 2004 are as follows:

	Property, Plant and Equipment and construction in progress objects	Buildings and constructions	Machines and equipment	Other FA	Construction in progress
Gross book value at the beginning of the period	214 865	140 294	14 458	35 461	24 652
Total, debit	6 429 911	117 724	33 829	19 083	6 259 275
Putting into operation	21 531	4 015	9 920	7 596	
Putting into operation objects purchased from external companies	21 531	4 015	9 920	7 596	
Building	5 160 389			0	5 160 389
Services and works of contractors	4 666 076			0	4 666 076
Raw stuff and materials	37 354			0	37 354
Other expenses in building using economical method	456 959			0	456 959
Assets purchase	73 552			0	73 552
Other debit circulations	1 174 439	113 709	23 909	11 487	1 025 334
Total, credit	6 581 129	218 426	41 959	38 098	6 282 646
Sold (passed over free of charge)	1 751	8	498	808	437
Sold (passed over free of charge) to affiliated companies	308		23	285	
Sold (passed over free of charge) to external companies	1 443	8	475	523	437
Putting into operation (retirement from the accounts of accounting of construction in progress)	98 933			0	98 933
Transfer into other assets structure (investments, reserves, etc.)	355 406			0	355 406
Liquidation, writing-off	5 397	11	667	4 719	
Other credit circulations	6 119 642	218 407	40 794	32 571	5 827 870
Gross book value at the end of the period	63 647	39 592	6 328	16 446	1 281
Accumulated depreciation at the beginning of the period	14 191	2 513	5 778	5 900	
Total, credit	11 104	489	6 225	4 390	
Accrual depreciation	11 104	489	6 225	4 390	
Total, debit	16 206	1 925	8 007	6 274	
Accumulated depreciation for sold (passed over free of charge) assets	311	4	121	186	
Accumulated depreciation of liquidated (written-off) assets	4 289	5	323	3 961	

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

As at 31 of December, 2004

(Thousand Russian rubles)

9. Property, plant and equipment, capital construction in progress objects (sequel)

Other debit circulations	11 606	1 916	7 563	2 127	
Accumulated depreciation as at 31 of December, 2004	9 089	1 077	3 996	4 016	
Net book value at the beginning of the period	200 674	137 781	8 680	29 561	24 652
Net book value at the end of the period	54 558	38 515	2 332	12 430	1 281

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2004

(Thousand Russian rubles)

9. Property, plant and equipment, capital construction in progress objects (sequel)

Net book value of the Property, Plant and Equipment of the Company constitutes **54 558** thousand rubles.

In 2004 LenSpecSMU finished transfer Property, Plant and Equipment to the authorized capital of CJSC "AKTIV", having invested into the Company Property, Plant and Equipment (buildings, constructions, machines and equipment) which depreciated cost at the moment of transfer constituted 133 359 thousand rubles.

Transferred fixed asset were re-valuated by the valuer and accounted in accounting records of CJSC "AKTIV" by fair value constituting 227 200 thousand rubles.

At performing consolidation the profit received by CJSC SSMO "LenSpecSMU" from transfer of FA to the authorized capital of CJSC "AKTIV" in the amount of 93 841 thousand rubles was recognized.

During transformation of reporting it was resolved to re-classify construction in progress of companies CJSC SSMO "LenSpecSMU" and CJSC "SPb MFTC" from the structure of construction in progress to the structure of Work in process due to resolution to use IAS 18 "Revenue" instead of using IAS 11 "Construction Contracts" for accounting of the principal activities of the above companies.

Intangible assets of the company constitute 529 thousand rubles and include licenses for performance of different kinds of building works. Devaluation of licenses was not performed.

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

10. Financial assets (long-term)

As at 31 of December, 2004 financial assets are represented by long-term investments, available-for-sale financial investments and loans given :

	2003	2004
Long-term investments	260 801	366 807
Available-for-sale financial investments (AFS)	194 350	582 224
Loans given to legal entities	19 883	2 642
Loans given to personnel	33	
TOTAL	475 066	951 673

Long-term investments are investments into the following subsidiaries and dependent companies:

	2003	2004
Long-term investments		
CJSC "SPb MFTC"	178	2 617
CJSC "CUN"	40	40
LLC "UN "LenSpecSMU"	2	0
CJSC "LenSpecSMU – Reconstruction"	2	2
CJSC "LSO"	3	3
LLC "ORGTECHREMSTROY"	2	2
OJCS "SMU" "Elektronstroy"	1 048	1 729
CJSC "Building materials factory "Etalon"	75	75
CJSC "Etalon – PozhStandart"	20	20
CJSC "AKTIV"	259 431	362 169
CJSC "YurStroy"	0	150
TOTAL	260 801	366 807

The most substantial other long-term financial assets for sale are investments of LenSpecSMU into garage building cooperatives (GBC and SGBC) organized for main objects of building, property shares of garage building cooperatives including:

Names of objects	
GBC «Zolotaya gavan'»	30 289
SGBC «Morskoy kaskad»	66 309
SGBC «Morskoy fasad»	275 471
SGBC «Na Baikonurskoi»	33 800
SGBC «Zhivoy rodnik»	40 116
SGBC «Garazh na Baikonurskoi»	14 560
SGBC «Garazh na Lanskom»	46 748
SGBC «Garazh na Grazhdanke»	74 931
TOTAL	582 224

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

11. Liabilities

	2003	2004
Short-term liabilities	3 861 085	2 745 789
Liabilities, including	951 287	878 610
Liabilities under settlements with suppliers and contractors	397 189	624 852
Liabilities accompanied by bills of exchange	0	8 836
Advances received	239 267	197 013
Other short-term liabilities, including	314 831	47 909
Deferred income	2 909 798	1 867 179
Long-term liabilities under purpose financing	892 949	2 977 499
TOTAL	4 754 034	5 723 288

Short-term liabilities in the amount of 624 852 thousand rubles include settlements with suppliers and contractors for raw stuff, materials, services of building nature including settlements with affiliated companies for total amount of 365 724 thousand rubles.

	2004
CJSC "SPb MFTC"	351 813
CJSC "CUN"	11 974
CJSC "LenSpecSMU – Reconstruction"	503
CJSC "LSO"	325
LLC "ORGTECHREMSTROY"	233
OJCS "SMU" "Elektronstroy"	155
CJSC "AKTIV"	721
TOTAL	365 724

Received advances in the amount of 197 013 thousand rubles are up-front money received by the Holding from flats purchasers under sales and purchase agreements.

In the structure of other long-term liabilities for purpose financing are included settlements with CJSC "SPb MFTC" which was share holder for objects of building of the Company LenSpecSMU for the amount of 175 946 thousand rubles.

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

Assets received by the Holding from share holders under share holding agreements (SHA) as at 31 of December, 2004 constitute 4 844 678 thousand rubles.

Attributing of assets of share holders to the structure of deferred income is formed in accordance with actually performed volume of building. This index is taken to be equal to the volume of building and assembly works accepted by LenSpecSMU for contracting organizations in accordance with acts of works performed and VAT at corresponding rate. In 2003 the rate of VAT constituted 20%.

As building and assembly works are performed, commissioned by customer-builder (Holding) according to the act of works performed the assets of share holders received are attributed to deferred income.

Deferred income	1 867 179
Long-term liabilities under purpose financing	2 977 499
TOTAL assets of share holders under share holding agreements	4 844 678

Writing-off deferred income and long-term liabilities is performed as the object is commissioned by the state commission and the ownership rights of share holders are registered.

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

12. Taxation

Expenses for income tax of the Company consist of the following items:

	2003	2004
Current income tax	(15 658)	(52 916)
Deferred income tax	24 131	1 099
TOTAL income tax	8 473	(51 817)

The Company are to present tax returns for different taxes including profits tax. The rate for Russian companies of income tax constitutes 24%.

As at 31 of December the deferred taxation assets and liabilities consist of the following items:

	2003	2004
Deferred tax assets	24 933	26 540
Financial investments	395	395
Account receivables	6 543	9 277
Deferred expenses	6 330	6 352
Property, Plant and Equipment and construction in progress	2 297	2 297
Others	9 368	8 219
Deferred tax liabilities	803	1 310
Cash and cash equivalents	395	395
Account receivables	401	401
Others	7	514
Total, net deferred requests (liabilities)	24 131	25 230

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

13. Loans

As at 31 of December, 2004 credits can be recognized as follows:

	Total	Investment	Overdrafts
Balance at the beginning of the period (main debt)	1 546	1 546	
Received	182 005	2 846	179 159
Adjustment	(157)	(157)	
Returned)	181 063	1 904	179 159
Balance at the end of the period (main debt)	2 331	2 331	0
Balance at the beginning of the period (interest)	0	0	0
Attributed to expenses	4 319	226	4 093
Paid up)	4 250	157	4 093
Balance at the end of the period (interest)	69	69	0
Amount in currency of liabilities (main debt) at the end of the period	2 331	2 331	
Amount at the end of the period, US dollars	2 331	2 331	
Total, indebtedness payable (main debt) at the end of period	2 331	2 331	
Indebtedness payable within 12 months after the date of report (main debt) at the end of the period	291	291	
Indebtedness payable within 2 years after the date of report (main debt) at the end of the period	2 040	2 040	
Total, indebtedness payable (interest) at the end of the period	69	69	
Indebtedness payable within 12 months after the date of report (interest) at the end of the period	69	69	

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

14. Revenue

	2003	2004
Main production (in approved nomenclature)	1 863 295	5 963 898
Brick (thousand pcs)	10 846	0
Commissioning of objects of building (houses)	1 473 750	0
Commissioning of objects of building (parking lots)	2 550	0
Commissioning of objects of building (garages)	1 076	0
Flats of the secondary market	13 044	4 443
Own flats	58 011	70 458
Built-in premises	18 811	7 677
Special clothing	0	17
Metal roll (armature, angle bars, metal bars, etc.)	3 752	0
Materials for inside finishing (frames, door ways, paints, lacquers, linoleum, gypsum cardboard, hinged ceilings, etc.)	1 169	0
Fence plates	1 604	0
Instruments	1	8
Utilities	7 022	153
Office equipment	123	0
Building and assembly works	3 285	10 069
Agency services	5	0
Services for tests conduct, expert valuations	737	2 296
Equipment lease	397	967
Electro technical equipment lease	445	0
Premises lease (offices, premises)	14 140	7 291
Decking lease	32 373	8 421
Machines and equipment lease	17 498	1 512
Land lease	0	3 370
Garage parking lots lease (through broker)	2 137	0
Customer functions	0	5 771 642
Other kinds of lease	291	0
Services for electricity consumption increase (in premises)	125	0
Office equipment maintenance services	30	0
Other kinds (of works, services) sale	42 171	65 339
Temporary constructions	1 308	0
Concrete production	134 135	9 131
Car transportation services provision	22 459	433
Public catering	0	671
Other production, goods, services	1 440	1 362
TOTAL revenue	1 864 735	5 965 260

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

15. Cost of sale

Cost value of production sold	2003	2004
Objects of building commissioning (houses)	1 328 814	5 537 473
Materials for inside finishing	57 697	14 135
Instruments	6 604	722
Utilities	27 365	14 199
Cement	51 794	859
Sand	10 563	819
Lease	14 979	
Energy (electricity and heat)	1 409	1 316
Water	21	296
Wages and other payments to staff personnel	80 945	25 991
Depreciation	14 433	6 414
Goods for re-sale written-off to cost value	45 991	72 031
Other expenses	140 396	4 166
Total cost of sale	1 781 011	5 678 421

Other expenses have the following structure:

Other expenses	2003	2004
Transportation services	14 782	1 488
Advisory, legal, audit and other professional services	0	70
Storage services	0	517
Documents registration	0	140
Repair and maintenance	29 032	2 496
Communication services	0	20
Operational expenses	406	145
Others	96 176	(710)
TOTAL other expenses	140 396	4 166

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

16. Selling and administrative expenses

Selling and administrative and operational expenses for 2004 included the following items:

	2003	2004
Selling expenses	79 400	117 949
Documents registration		396
Advertisement and marketing	79 400	117 553
General and administrative expenses	32 121	31 796
Wages and other payments to the staff personnel	11 885	
Depreciation	964	
Office and poligraphy expenses		101
Business-trip expenses		50
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)		154
Advisory, legal, audit and other professional services		6 964
Informational (subscription, satellite TV and other)		47
Insurance expenses		285
Communication services		1 037
Transport		1 331
Office and computer hardware maintenance		980
Guarding services		195
Representative expenses		5
Others	19 272	20 647
Total selling and administrative expenses	111 521	149 745

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

17. Other operational income and expenses

Other operational income for the amount of 118 741 thousand rubles include other income under share holding agreements and recovery of sales expenses (expenses for advertisement, agency services) earlier written off under IFRS and repeated under AG:

	2003	2004
Other operational income (expenses)	77 096	118 741
Income (expenses) from assets sale	(20 989)	29 865
From sales of Property, Plant and Equipment and objects of construction in progress	(22 679)	774
From sales of financial assets		28 986
Long-term investments		29 010
Available-for-sale financial investments (AFS)		(24)
From sales of inventory	1 690	105
Reserves recovery/creation	(6 424)	(3 320)
Questionable debts reserves	(6 424)	(3 320)
Reserves for devaluation of reserves	0	0
Income from participation in other organizations	35	1 053
Services of social nature	(3 360)	(1 809)
Fees, fines, forfeits	(459)	(171)
Liquidation and writing-off assets related expenses	(3 577)	(1 507)
Property, Plant and Equipment and objects of construction in progress liquidation and writing-off related expenses	(3 577)	(1 507)
Income/expenses from writing off liabilities/account receivables		(4 752)
Income/expenses from re-valuating of foreign currency	(5 063)	916
Others	116 933	98 466

Other income for the amount of 98 466 thousand rubles consist mainly of income from fixes assets sale to affiliated company CJSC "AKTIV" for the amount of 93 841 thousand rubles.

Original in the Russian language

Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2004

(Thousand Russian rubles)

18. Related party transactions

Company performs production operations with its subsidiaries and dependent companies which included the following subsidiaries:

	Share of CJSC SSMO "LenSpecSMU"
CJSC "SPb MFTC"	71%
OJSC "SMU" "Elektronstroy"	88%
CJSC "AKTIV"	100%
CJSC "YurStroy"	50,05%
Amounts excluded at consolidation	
TOTAL	

As well as dependent companies:

	Share of CJSC SSMO "LenSpecSMU"
CJSC "CUN"	40%
CJSC "LenSpecSMU – Reconstruction"	25%
CJSC "Building materials factory "Etalon"	25%
CJSC "ART-LS"	25%

19 . Events after the Balance sheet date

Considerable Events after the Balance sheet date did not occur.