

original in the Russian language

Companies group “LenSpecSMU”

Consolidated financial statements

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

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Consolidated financial statements of the Companies group "LenSpecSMU"

REPORT OF INDEPENDENT AUDITORS

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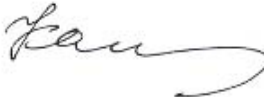
REPORT OF INDEPENDENT AUDITORS

To shareholders of the companies group "LenSpecSMU"

We have audited the attached consolidated balance sheet of "LenSpecSMU" Company and its affiliates (hereinafter – "Companies Group") as at 31 of December, 2004 as well as the related consolidated statements of income, changes in shareholders' equity and cash flows for the accounting year then ended. These consolidated financial statements are responsibility of the Companies Group Management. 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 our audit provide 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.



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Companies group "LenSpecSMU"

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

(Thousand Russian rubles)

	Notes	2003	2004
Cash and cash equivalents	4	77 223	34 895
Available-for-sale financial investments (AFS) (short-term)	5	32 152	272 699
Loans given	5	14 373	28 542
Account receivables (short-term)	6	359 554	691 285
VAT for values purchased	6	58 208	18 702
Inventories	7	3 968 796	4 419 115
<i>(including work in process)</i>		3 774 249	3 916 037
Other current assets	8	23 281	111 444
Total, current assets		4 533 587	5 576 681
Account receivables (long-term)	6	22	0
Property, Plant and equipment, construction in progress objects and intangible assets	9	372 392	216 922
<i>(including Property, Plant and equipment and construction in progress objects</i>		371 857	216 393
<i>intangible assets</i>		535	529
Property for lease	10	67 060	199 086
Long-term investments	11	204	0
Investments into associated companies	11	3 441	20 678
Available-for-sale financial assets (AFS) (long-term)	11	195 575	582 224
Loans provided	11	18 649	16 084
Deferred tax assets	13	36 236	65 944
Other non-current assets	8	0	7 455
Total, non-current assets		693 579	1 108 393
Total, assets		5 227 166	6 685 074
Short-term credits and loans	14	0	265 628
Liabilities (short-term) ()	12	766 089	1 026 454
Deferred income	12	2 909 798	1 867 208
Other short-term liabilities	8	0	2 041
Total, short-term liabilities ,		3 675 887	3 161 331
Long-term credits and loans	14	213 618	2 040
Long-term liabilities for purpose financing	12	1 197 993	3 106 597
Other long-term liabilities	12	0	67 776
Deferred tax liabilities	13	2 017	10 676
Total, long-term liabilities		1 413 628	3 187 089
Total, liabilities		5 089 515	6 348 421
Minority interest		2 745	9 563
Share capital, total		200	200
Share premium		72 373	72 373
Retained earning	15-18	15 622	113 966
Revaluation reserve		46 711	140 552
Total, equity		134 906	327 091
Total, liabilities		5 227 166	6 685 074

Signed by the Board of Directors of the Company

General director

Chief accountant

16 of June, 2006 r.



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

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Companies group "LenSpecSMU"

Consolidated financial statements

CONSOLIDATED PROFITS AND LOSSES ACCOUNT

(Thousand Russian rubles)

	Примечания	2003 год	2004 год
Sales proceeds	15	1 964 887	6 145 168
Cost of sales	16	(1 877 534)	(5 880 899)
Gross profit		87 353	264 269
Selling expenses	17	(79 400)	(117 949)
General and administration expenses	17	(32 818)	(34 942)
Taxes, other than profits tax		(13 333)	(13 909)
Other operational profits/losses (balance)	18	37 314	41 860
Operational profit		(884)	139 329
Share in the results of activity of associated companies		3 374	17 236
Interest receivable		6 007	1 052
Interest payable		(3 942)	(5 572)
Adjusting difference		1 493	0
Profit before profits tax, minority interest		6 048	152 045
Profits tax	13	16 613	(40 382)
Profit before minority interest and extraordinary profits/losses		22 661	111 663
Minority interest		(2 745)	(6 820)
Net profit		19 916	104 844
Dividends		0	(6 500)
Unappropriated profits		19 916	98 344

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

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Companies group "LenSpecSMU"

Consolidated financial statements

CONSOLIDATED 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
Paid-in capital	72 373		72 373
Past years profits (losses)	15 622		15 622
Unappropriated profits (loss) of the accounting year		98 344	98 344
Capital surplus	46 711	93 841	140 552
Equity, total	134 906	192 185	327 091

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

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Companies group "LenSpecSMU"

Consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousand Russian rubles)

	2003	2004
Cash flows from operating activities	420 053	164 692
Income before income taxes and minority interest	6 048	152 045
Net profit adjustments	66 480	27 777
Account receivables adjustment	-379 225	-296 208
Inventories adjustment	-3 988 660	-454 310
Net growth for equipment purchased for leasing	-87 448	-166 163
Other assets adjustment	-3 417	-94 819
Liabilities adjustment	4 791 222	977 265
Other liabilities adjustment	15 053	19 105
Net cash flows from operating activities		97 921
Drawing up		179 159
Credits and loans repayment		-179 159
Assets received from shares allocation (shares sale)		103 000
Dividend paid to shareholders		-5 079
Net cash flows from investment activity	-438 326	-304 814
Intangible assets, fixed assets purchase and investments into construction in progress	-407 645	-371 936
Long-term investments purchase	-236 398	-127 530
Receipt of investment credits and loans	215 974	138 025
Repayment of investment credits and loans	6 856	68 670
Loans provision	-23 274	-73 207
Return of loans	3 211	59 957
Interest received	2 915	154
Income received from participation in other organizations	35	1 053
Currency exchange rate change influence on cash and cash equivalents	-731	-127
Net change of cash and cash equivalents	-19 004	-42 328
Cash and cash equivalents at the beginning of the period	96 228	77 223
Cash and cash equivalents at the end of the period	77 223	34 895

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

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

(Thousand Russian rubles)

1. Principal activities

One of the largest building and industrial holdings of Saint-Petersburg – LenSpecSMU – was founded in 1987 as a little private building company. The Holding 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 11% of the whole building market of Saint-Petersburg. In 2004 the Group constructed building of total area 222 520 sq. m.

The parent company and the subsidiaries carry on a wide range of property and accident insurance operations, actually, offering at the market all kinds of insurance. The Company performs the whole cycle of investment and building process – from projecting of real estate to its operation.

The parent 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.

The Closed joint stock company Specialized Building and Assembly Association "LenSpecSMU" as well as its subsidiaries included into the companies group "LenSpecSMU" have 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.
- License for carrying out loads transportation.

Main subsidiaries are: CJSC "AKTIV", CJSC "SPb MFTC", OJSC "SMU "Electronstroy", CJSC "YurStroy".

Main associated companies are CJSC "CUN", CJSC "LenSpecSMU-Reconstruciton", CJSC "ART-LS" and CJSC "Building materials factory "Etalon".

The parent company and the subsidiaries are named hereinafter "Companies", "Group", "Companies group", "Holding", "LenSpecSMU". Shareholders of the head company are individuals, citizens of the RF. The head office is located in Saint-Petersburg at the address: Bogatyrskiy prospect, 2.

Average list number of Company's employees in 2004 constituted 1235 persons.

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

(Thousand Russian rubles)

2. Basis of preparation

General

The accompanying consolidated 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.

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Companies group "LenSpecSMU"

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

(Thousand Russian rubles)

2. Basis of preparation (sequel)

General principles (sequel)

The Company must perform accounting and prepare financial reporting for the purposes of regulating bodies in Russian rubles in accordance with the Russian legislation on accounting (RLA). The accompanying consolidated financial statements has been made on the basis of official accounting registers considering corrections and re-grouping of particular items according to IFRS.

Consolidated subsidiaries

The consolidated financial statements include the following companies:

	Share	Total, assets	Equity capital	Net profit (loss) of the accounting year
CJSC "SPb MFTC"	61%	2 090 956	24 842	18 344
OJSC "SMU "Electronstroy"	88%	18 554	1 044	(108)
CJSC "AKTIV"	100%	397 914	362 196	6 595
CJSC "YurStroy"	50,05%	0	0	3
Amounts excluded at consolidation		(353 568)	(388 082)	(9 564)
TOTAL		2 153 856	0	15 270

In April, 2003 the Board of directors of the CJSC SSMO "LenSpecSMU" resolved to create the CJSC "AKTIV" with authorized capital in the amount of 259.4 million rubles. It was resolved to pay up the shares by depositing property. The monetary evaluation of the property was performed by independent valuer. In 2003 and in 2004 property for the above amount was passed over to the CJSC "AKTIV" in full.

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

(Thousand Russian rubles)

2. Basis of preparation (sequel)

Associated companies accounted basing on equity method

Below are listed the companies recognized in accounting basing on equity method:

	Equity of the company	Investments into associated companies	Including the share of net profit for 2004
CJSC "CUN"	40%	14 310	13 290
CJSC "LenSpecSMU-Reconstruction"	25%	1 695	986
CJSC "Building materials factory "Etalon"	25%	3 505	1 794
CJSC "ART-LS"	25%	0	
CJSC "Energy company "Teplogarant"	30%	461	461
LLC "ORGTECHREMSTROY"	20%	406	406
CJSC "LSO"	20%	299	299
Total		20 677	17 236

**NOTES TO CONSOLIDATED 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 use of the international financial reporting standards"

In 2003 the Company for the first time started using IFRS for preparing consolidated 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 consolidated reporting. Due to the fact that the income balance of this financial statements (i.e. of the reporting as at 31.12.2004) 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 ISA 29.

Starting from 2003 and during the following years the Company will not apply ISA 29 to the current accounting periods and 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 CONSOLIDATED 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 of income. 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.

Other account receivables include settlements under rent agreements, settlements for shares in garage-building cooperatives and other settlements.

Account receivables are recognized by balance value less formed reserve for devaluation, 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 taxes.

Inventories

For accounting construction in progress objects of the companies group "LenSpecSMU" IFRS 2 "Resource" is used. This standard is used due to the impossibility of using IFRS 11 "Contracts of work and labor".

Rejection to use IFRS 11 is caused by the fact that the companies consolidated 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 reserves are evaluated by the lower of two figures – cost value and possible net sale price.

The cost value of the reserves 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 IFRS 32 "Financial instruments: disclosure and presentation of information" and IFRS 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 IFRS.

Short-term investments include bills of exchange of banks and legal entities which bills of exchange were purchases 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.

NOTES TO CONSOLIDATED 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 provided 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.

In performing consolidation long term investments of the CJSC SSMO "LenSpecSMU" into the authorized capitals of subsidiary and associated companies are eliminated in accordance with the requirements of IFRS 27 "Consolidated financial statements and accounting of investments into subsidiaries".

Fixed assets

Fixed assets 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 fixed assets 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 fixed assets 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.

Stated above accounting policy provisions for the item "Fixed assets" are extended on the fixed assets of CJSC "AKTIV" received from CJSC SSMO "LenSpecSMU" as a contribution into the authorized capital which fixed assets the CJSC "AKTIV" then passes over on rent conditions to the parent company as well as to other companies included into the "LenSpecSMU" group.

Increase of value of FA passed over to CJSC "AKTIV" following their re-valuation was recognized in the structure of capital surplus in accordance with the requirements of IFRS 16 "Fixed assets" and IFRS 36 "Assets devaluation".

Obligations, liabilities, deferred income

In accordance with the share participation agreements investors-share holders invest into the Holding LenSpecSMU paying advances intended for housing building. As building and assembly works are performed and commissioned by the customer-builder (Holding) 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 CONSOLIDATED 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. In 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 capital surplus account.

Dividend for regular shares is acknowledged in the structure of equity 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 IFRS 10 "Events after the date of report" 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 profits/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 IFRS 18 "Proceeds" the signs of proceeds 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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Companies group "LenSpecSMU"

Consolidated financial statements

NOTES TO CONSOLIDATED 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	28 536	26 264
Cash	1 293	1 537
Current and settlement accounts	27 243	24 727
Cash equivalents	48 687	8 631
Deposit certificates	44 829	5 011
Other cash equivalents	3 858	3 620
Cash and cash equivalents	77 223	34 895

5. Financial assets (short-term)

As at 31 of December the financial assets are recognized by financial investments available for sale as well as loans provided:

	2003	2004
Available-for-sale financial assets (AFS) (short-term)	32 152	272 699
Other bills of exchange (except for bills of exchange of banks)	26 352	272 683
Deposits (deposit certificates)	5 800	0
Other financial investments	0	16
Loans provided	14 373	28 542
Loans provided to legal entities	14 373	28 509
Loans provided to personnel	0	33
TOTAL	46 525	301 241

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 (GBC) a share participation agreement in building a house. The subject of such agreement is activity of LenSpecSMU (customer-builder) and GBC (share holder) for investing and building garages (places for cars) on the territory of objects built by LenSpecSMU.

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

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 15 775 thousand rubles) and from Univesal Invest Company (4 525 thousand rubles).

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

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

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

(Thousand Russian rubles)

6. Account receivables, VAT and taxes payable

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

	2003	2004
Account receivables (short-term)	359 554	691 285
Account receivables for the principal activities	64 485	156 569
Account receivables for the principal activities	64 440	153 841
Account receivables accompanied by bills of exchange	45	2728
Advances paid	61 268	170 499
Advances to suppliers for the principal activities	22 254	126 275
Advances for purchase of equipment and capital construction	39 014	44 224
Other account receivables and up-front money	240 225	373 960
Created account receivables reserve (-)	-6 424	-9 743
Account receivables (long-term)	22	0
TOTAL	359 576	691 285

Account receivables for the principal activities occurs in sales of property shares, flats built and works performed.

Other account receivables include settlements under rent agreements, settlements for flats redeemed from individuals, settlements for shares in GBC and other settlements.

Account receivables have the following structure:

- Account receivables under investment agreements – 156 569 thousand rubles,
- Account receivables under other agreements – 544 459 thousand rubles.

Account receivables under other agreements includes advances provided for the amount of 170 499 thousand rubles and other account receivables.

Other account receivables for the amount of 373 960 thousand rubles includes settlements under rent agreements, settlements for shares in GBC and other settlements.

VAT and taxes payable:

	2003	2004
VAT	32 123	16 698
Returning taxes (other than VAT)	26 085	2 004
VAT and returning taxes	58 208	18 702

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Consolidated financial statements

NOTES TO CONSOLIDATED 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	54 446	42 747
Total, inventory	54 446	42 747
Under approved nomenclature	29 504	29 894
Engines (pcs.)	18	
Brick (thousand pcs.)	19	
Scrap metal		121
Metal-roll (armature, angle bars, metal bars, etc.)	9 702	12 096
Materials for inside finishing (frames, doorways, paints, lacquers, linoleum, gypsum carton, hinged ceilings, etc.)	1 806	4
Boards, WPB	619	161
Special clothing	335	192
Instruments	10 494	5 961
Inventories and utilities	4 681	9 114
Cement	595	2 045
Sand	1 200	173
Concrete and reinforced concrete items	35	27
Other	20 303	5 737
Fuel	897	1 734
Gas	30	14
Gasoline	181	394
Diesel fuel	664	1 293
Kerosene	2	2
Other fuel	20	31
Tare and tare materials	55	1 179
Spare parts	2 696	3 032
Other reserves	991	1 171
Goods in process	3 774 249	3 916 037
Finished production and goods for re-sale reserves	140 101	460 331
Total, inventory	140 101	460 331
Under approved nomenclature	140 101	460 331
Containers (pcs)	165	
Food products (thousand tons)	12	55
Secondary market flats	10 621	10 387
Own flats	108 905	332 573
Built-in premises	13 173	111 081
Materials for inside finishing (frames, doorways, paints, lacquers, linoleum, gypsum carton, hinged ceilings, etc.)	83	
Inventories and utilities	1	
Supplements (clocks, albums, vacuum-cleaners, etc.)	3 393	4 077
Concrete and reinforced concrete items	3 748	2 158
TOTAL	3 968 796	4 419 115

Goods in process include flats in progress, infrastructure objects and objects of production purpose. The largest objects are for the total amount of 3 913 989 thousand rubles:

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Companies group "LenSpecSMU"

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

(Thousand Russian rubles)

Objects	2003	2004
Morskoy fasad, Morskoy Kaskad	1 485 758	1 508 974
Lanskoy block	728 857	17 920
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	691 868	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	
Tkachey Street, 5	15 460	93 049
Infrastructure objects	60 404	66 968
Zolotaya Gavan'		361 675
Ol'minskogo st.		195 401
House on Avangardnaya st.		47 426
House on Serebrystiy	83 384	421 275
Other objects	41 910	150 870
TOTAL	3 774 249	3 916 037

Per object comparison for 2003 and 2004 shows that the largest objects of building during two years were objects "Morskoy fasad" and "Morskoy kaakad", "Birzhevoy passage". In 2004 the Holding started building of such large objects as "Zolotaya gavan'", "House on Serebristiy" 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.

	2003	2004
Depreciation of FA	808	
share holding in building	429 167	
Land lease and other lease	19 518	
Investment deposit	29 561	164 699
VAT for capital investments at objects of building	602 693	573 949
Equipment and materials	45 670	50 507
Reserve of impending payments for transferred works	154 181	144 944
Project and research works	64 336	107 072
BAW (building and assembly works)	2 191 988	2 634 503
General utilities expenses (26 account)	113 735	117 550
Co-ordinations, conclusions, research	22 931	
Credit usage interest	4 417	
Expenses not increasing object's value	39 158	
Others	56 085	229 888
TOTAL	3 774 249	3 916 037

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8. Other assets, liabilities

	2003 r.	2004 r.
Other current assets	23 281	111 444
Other current assets	3 417	91 240
Deferred expenses	19 864	20 204
Other non-current assets	0	7 455
Other short-term liabilities		2 041
TOTAL Other assets, liabilities	23 281	116 858

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9. Fixed assets and capital construction in progress objects

Fixed assets flows during 2004 is as follows:

	Total	Buildings and constructions	Machines and equipment	Other FA	Construction in progress
Depreciated cost for 31 of December, 2003	442 616	183 376	43 177	38 589	177 474
Total, debit	8 997 145	367 560	83 489	41 067	8 505 029
Putting into operation (takings to the accounts of fixed assets accounting)	99 350	51 158	25 022	23 170	
Building using economical method	6 923 923			0	6923923
Assets purchase	121 510		-3	0	121513
Bank interest amount	10 820			0	10820
Other debit circulations	1 841 542	316 402	58 470	17 897	1 448 773
Total, credit	9 156 464	351 257	72 673	60 440	8 672 094
Sold (passed over free of charge)	4 032	511	606	2 478	437
Putting into operation (retirement from the accounts of accounting of construction in progress)	211 554			0	211554
Transfer into other assets structure (investments, reserves, etc.)	2 233 769			0	2233769
Liquidation, writing-off	8 211	14	2288	5909	
Retired at sale of subsidiaries	257		244	0	13
Other credit circulations	6 698 641	350 732	69 535	52 053	6 226 321
Depreciated cost for 31 of December, 2004	253 391	167 978	53 993	19 216	12 204
Accumulated depreciation as at 31 of December, 2003	70 759	36 094	20 141	14 524	
Total, credit	14 379	2 247	7 106	5 026	
Accrual depreciation	14 366	2 247	7106	5013	
Other credit circulations	13			13	
Total, debit	48 140	34 937	-1 162	14 365	
Accumulated depreciation for sold (passed over free of charge) assets	337	7	134	196	
Accumulated depreciation of liquidated (written-off) assets	4 424	5	439	3980	
Retired at sale of subsidiaries	52		52	0	
Other debit circulations	11 626	1 916	7563	2147	
Adjustment	31 701	33 009	-9350	8042	
Accumulated depreciation as at 31 of December, 2004	36 998	3 404	28 409	5 185	
Depreciated cost for 31 of December, 2004	216 393	164 574	25 584	14 031	12 204

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9. Fixed assets and capital construction in progress objects (sequel)

In 2004 LenSpecSMU finished transfer fixed assets to the authorized capital of CJSC "AKTIV", having invested into the Company fixed assets (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 profits 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 re-classified from the structure of profits and losses report to the structure of the consolidated capital surplus.

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 goods in process due to resolution to use IFRS 18 "Proceeds" instead of using IFRS 11 "Agreements for building" for accounting of the principal activities of the above companies.

The amount of re-classification constituted 3 957 280 thousand rubles.

The property for passing over for lease is fixed assets contributed by CJSC SSMO "LenSpecSMU" to the authorized capital of CJSC "AKTIV". Since, in essence, it is a matter of redistribution of property inside the companies of the group, the requirements of IFRS 17 "Lease" were not used in relation to affiliated companies.

The leasing settlements as well as lease payments in the structure of profits and losses report were adjusted for the amount of unearned income formed inside the companies of the group.

Intangible assets as at 31 of December, 2004 constitute **529** thousand rubles and include licenses for performance of different building works.

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10. Property passed over for leasing

	Total	Buildings and constructions	Machines and equipment	Other FA
Value as at the beginning of the period	87 448		72 105	15 343
Total, debit	180 571	136 538	27 484	16 549
Putting into operation (income to the accounts of fixed assets accounting)	4 719	4 719		0
Putting into operation objects purchased from external companies	4 719	4 719		0
Other debit circulations	175 852	131 819	27 484	16 549
Total, credit	14 408	900	11 897	1 611
Other credit circulations	14 408	900	11 897	1 611
Value as at the end of the period	253 611	135 638	87 692	30 281
Accumulated depreciation as at the beginning of the period	20 388		10 196	10 192
Total, credit	35 561	4 377	25 601	5 583
Accrual depreciation	35 561	4 377	25 601	5 583
Total, debit	1 424		1 196	228
Accumulated depreciation for sold (passed over free of charge) assets	19			19
Accrual depreciation for assets sold (passed over free of charge) to affiliated companies	19			19
Accumulated depreciation for assets transferred to the structure of other assets	415		265	150
Accumulated depreciation for liquidated (written-off) assets	977		931	46
Other debit circulations	13			13
Accumulated depreciation as at the end of the period	54 525	4 377	34 601	15 547
Depreciated cost as at the beginning of the period	67 060		61 909	5 151
Depreciated cost as at the end of the period	199 086	131 261	53 091	14 734

As at 31 of December, 2004 the property for leasing is rendered by CJSC "AKTIV" and CJSC "SPb MFTC", at that the property rendered by CJSC "AKTIV" takes 98% of total property for leasing. The largest weight takes item "Buildings and constructions". Mainly it is hiring out by CJSC "AKTIV" of office buildings to affiliated companies for the total amount of 107 251 thousand rubles:

Office building address	Amount
Office at Bogatyrskiy, 2	95 051
Komendantskiy, 39	2 500
Shuvalovo – Ozerki	2 800
Shuvalovo – Ozerki (premise 2)	1 300
Engelsa, 50	5 600
Total:	107 251

Second by value is item "Machines and equipment" and mainly is leasing of casing (as at 31 of December, 2003 the amount constituted 38 938 thousand rubles, as at 31 of December, 2004 the amount increased up to 51 234 thousand rubles).

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11. Financial assets (long-term)

As at 31 of December, 2004 financial assets are recognized by financial investments available for sale as well as loans provided:

	2003	2004
Long-term investments	204	0
Investments into affiliated companies	3 441	20 678
Financial investments available for sale (AFS) (long-term)	195 575	582 224
Loans provided	18 649	16 084
TOTAL LONG-TERM FINANCIAL INVESTMENTS	217 869	618 986

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	thousand rubles
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

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12. Liabilities

	2003	2004
Short-term liabilities	3 675 887	2 893 662
Liabilities under settlements with suppliers and contractors	482 678	746 717
Received advances	239 267	197 051
Liabilities accompanies by bills of exchange	0	8 836
Other short-term liabilities	28 568	34 056
Deferred income	2 909 798	1 867 208
Short-term indebtedness for taxes payable	15 576	39 794
Long-term liabilities	1 197 993	3 174 373
Long-term liabilities under purpose financing	1 197 993	3 106 597
Other long-term liabilities	0	67 776
TOTAL	4 870 378	6 068 035

Short-term liabilities in the amount of 746 717 as well as liabilities accompanies by bills of exchange (8 836) include settlements with suppliers and contractors for raw stuff, materials, services of building nature.

Received advances in the amount of 197 051 thousand rubles are up-front money received by the Holding from flats purchasers under sales and purchase agreements.

In the structure of other short-term liabilities are included the following sections:

Other short-term liabilities	28 568	34 056
Indebtedness under settlements with personnel and accompanying liabilities	12 036	7 086
Dividend payable		1 421
Other liabilities and accrual expenses	16 532	25 549

Assets received by the Holding from share holders under share holding agreements (SHA) as at 31 of December, 2003 constitute 4 973 805 thousand rubles.

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

Attributing of assets of share holders to the structure of deferred income is formed in accordance with acutally 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 2004 the rate of VAT constituted 18%.

	2003	2004
Deferred income	2 909 798	1 867 208
Long-term liabilities under purpose financing	1 197 993	3 106 597
TOTAL assets of share holders under share holding agreements	4 107 791	4 973 805

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.

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13. Taxation

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

	2003	2004
Current profits tax	-17 605	-61 432
Deferred profits tax	34 218	21 050
TOTAL profits tax	16 613	-40 382

Parent company as well as its subsidiaries and affiliated companies are to present separately tax returns. The rate for Russian companies of profits tax constitutes 24%.

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

	2003	2004
Deferred tax assets	36 236	65 944
Financial investments	395	395
Account receivables less questionable debts reserve	1 560	3 261
Reserves	8 105	8 127
Deferred expenses	6 330	6 352
Fixed assets and construction in progress	2 297	30 307
Intangible assets	95	95
Others	17 454	17 407
Deferred tax liabilities	2 017	10 676
Cash and cash equivalents	395	395
Account receivables less questionable debts reserve	19	19
Reserves		13
Fixed assets and construction in progress	40	6 024
Liabilities	529	529
Others	1 035	3 696
Total, net deferred requests (liabilities)	34 218	55 268

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14. Credits and loans

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

	Received credits, total	Investment	Overdrafts
Balance at the beginning of the period (main debt)	213 618	213 618	
Received (main debt)	317 184	138 025	179 159
Adjustment (main debt)	(16 253)	(16 253)	
Returned (main debt)	247 829	68 670	179 159
Balance at the end of the period (main debt)	266 720	266 720	0
Attributed to expenses (interest)	11 419	7 326	4 093
Capitalized (interest)	10 820	10 820	
Adjustment (interest)	963	963	
Paid up (interest)	22 254	18 161	4 093
Balance at the end of the period (interest)	948	948	0
Amount in currency of liabilities (main debt) at the end of the period	266 720	266 720	
Amount at the end of the period, US dollars	266 720	266 720	
Total, indebtedness payable (main debt) at the end of period	266 720	266 720	
Indebtedness payable within 12 months after the date of report (main debt) at the end of the period	264 680	264 680	
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	948	948	
Indebtedness payable within 12 months after the date of report (interest) at the end of the period	948	948	

Long-term credit in US dollars is recognized by credit line opened by Baltiyskiy Bank. Interest rate under the credit constitutes 11.5% and from 01.12.2003 – 11% per annum. According the terms and conditions of credit agreement the security is property (administration building belonging to the depositor on ownership rights).

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15. Income

	2003	2004
Materials (brick, metal roll, concrete and r/concrete items, utilities, etc.)	87 566	70 717
Commissioning of objects of building	1 477 376	5 771 642
Flats of the secondary market	13 044	4 443
Own flats	59 263	70 458
Built-in premises	18 811	7 677
Concrete production	134 135	9 131
Rent	91 064	122 043
Car transportation services provision	21 803	336
BAW and other services	47 182	82 322
Other production, goods	14 643	6 399
TOTAL proceeds from sales	1 964 887	6 145 168

16. Cost value of sold production

	2003	2004
Material expenses	1 563 668	5 662 081
Materials (brick, metal roll, concrete and r/concrete items, utilities, etc.)	174 651	85 130
Commissioning of objects of building	1 328 814	5 494 020
Own flats	1 362	0
Rent	731	33 200
Other kinds (works, services) sales	5 620	392
Other material expenses	52 490	49 339
Energy (electric and heat)	1 409	3 917
Water	21	296
Wages and other payments to the staff personnel	105 373	80 420
Depreciation	33 523	48 463
Taxes	59	611
Insurance	0	278
Other expenses	282 788	60 122
Rent services	0	10 729
Transportation services	15 999	1 590
Advisory, legal, audit and other professional services	10	70
Storage services	0	517
Documents registration	169	264
Repair and maintenance	29 032	6 384
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)	33	13
Office and computer hardware maintenance	149	51
Office and poligraphy expenses	13	20
Operational expenses	406	145
Others	236 977	40 338
Goods for re-sale written off to cost value	47 475	72 031
Adjustment of inner cost value	-156 782	-47 320
TOTAL cost value of sold production:	1 877 534	5 880 899

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17. Selling and administrative expenses

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

	2003	2004
Selling expenses	(79 400)	(117 949)
Transport expenses		(3 746)
Documents registration		(474)
Advertisement and marketing	(79 400)	(117 553)
Others		3 825
General and administrative expenses	(32 818)	(34 942)
Wages and other payments to the staff personnel	(11 885)	
Amortization	(964)	
Office and poligraphy expenses	(28)	(105)
Business-trip expenses		(76)
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)		(158)
Advisory, legal, audit and other professional services	(52)	(23 791)
Informational (subscription, satellite TV and other)		(86)
Insurance expenses		(285)
Communication services		(1 037)
Transport		(1 361)
Office and computer hardware maintenance		(1 072)
Guarding services		(195)
Representative expenses		(5)
Others	(19 889)	(6 771)

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18. Other operational income and expenses

	2003	2004
Income/expenses from assets sales	(22 679)	25 224
From sales of fixed assets and objects of construction in progress	(22 679)	718
From sales of financial assets		24 506
Long-term investments		29 010
Trading financial investments (TS)		(4 480)
Financial investments available for sale (AFS)		(24)
From sales of inventory	0	0
Reserves recovery/creation	(6 427)	(3 316)
Questionable debts reserves	(6 427)	(3 316)
Reserves for devaluation of reserves	0	0
Income from participation in other organizations	35	1 053
Services of social nature	(3 360)	(2 332)
Expenses for social field support	(449)	(1 151)
Fees, fines, forfeits	(459)	(468)
Liquidation and writing-off assets related expenses	(4 256)	(2 108)
Fixed assets and objects of construction in progress liquidation and writing-off related expenses	(4 256)	(1 507)
Inventory liquidation and writing-off related expenses		(601)
Income/expenses from writing off liabilities/account receivables		(4 752)
Income/expenses from re-valuating of foreign currency	(2 224)	(126)
Others	77 133	29 836
Total, operational income/expenses	37 314	41 860

19. Related party transactions

Considerable operations with concerned parties during 2004 were not performed.

20. Events after the date of report

Considerable events after the date of report did not occur.