

original in the Russian language

CJSC SSMO “LenSpecSMU”

financial statements

As at 31 of December, 2003 together with Report of independent auditors

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REPORT OF INDEPENDENT AUDITORS

To shareholders of CJSC SSMO "LenSpecSMU"

We have audited the attached consolidated balance sheet of the company CJSC SSMO "LenSpecSMU" (hereinafter – "Company") as at 31 of December, 2003 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 2003, provides true representation of the financial position of the Company as at 31 of December, 2003, 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.

With no other reservations in our audit report we draw attention to that fact that in note 2 there stated the conditions of full compliance of financial statements with IFRS requirements. We draw attention to that fact that according to IFRS full representation about consolidated financial statements of the companies group "LenSpecSMU" for 2003 may be provided only at comparing it with financial statements and explanatory notes of IFRS for the previous period.

29 of April, 2006

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Company CJSC SSMO "LenSpecSMU"

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BALANCE SHEET

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

	Notes	2002 (not audited)	2003
Cash and cash equivalents	4	90 472	55 766
Available-for-sale financial investments (AFS) (short-term)	5		26 352
Loans given (short term)	5		611
Account receivables (short-term)	6	875 893	501 907
VAT for values purchased	6	19 510	44 174
Inventories	7	158 766	2 420 095
<i>(including work in process)</i>		620	2 250 482
Other current assets	8	3 545	18 482
Total, current assets		1 148 186	3 067 387
Account receivables (long-term)	6	3 311	1 107 323
Property, Plant and equipment, construction in progress objects and intangible assets	9	1 780 832	201 204
<i>(including Property, Plant and equipment and construction in progress objects</i>		<i>1 780 297</i>	<i>200 674</i>
<i>intangible assets)</i>		<i>535</i>	<i>535</i>
Long-term investments	10	39 254	260 801
Available-for-sale financial assets (AFS) (long-term)	10	3 020	194 350
Loans given (long term)	10	1 502	19 916
Deferred tax assets	12		24 933
Total, non-current assets		1 827 919	1 808 527
Total, assets		2 976 105	4 875 914
Short-term credits and loans		0	0
Liabilities (short-term) ()	11	264 806	951 287
Deferred income	11	35 708	2 909 798
Other short-term liabilities	8	61 872	3503
Total, short-term liabilities ,		3 864 588	2 746 149
Long-term credits and loans	13	3 004	1 546
Long-term liabilities for purpose financing	11	2 544 111	892 949
Deferred tax liabilities	12		803
Total, long-term liabilities		2 547 115	895 298
Total, liabilities		2 909 501	4 759 886
Share capital, total		200	200
Share premium		72 063	72 063
Retained earning	14-17	-5 659	43 765
Total, equity		66 604	116 028
Total, liabilities and equity		2 976 105	4 875 914

Signed by the Board of Directors of the Company

General director

Chief accountant

29 of March, 2006

The accompanying notes are the essential part of these financial statements

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Company CJSC SSMO "LenSpecSMU"

financial statements

INCOME STATEMENT

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

	Notes	2002 (not audited)	2003
Revenue	14	1 191 319	1 864 735
Cost of sales	15	(1 185 961)	(1 781 011)
Gross profit		5 358	83 724
Selling expenses	16	0	(79 400)
General and administration expenses	16	0	(32 121)
Taxes, other than income tax	17		(11 375)
Other operational profits/losses (balance)	17	21 811	77 096
Operational income		27 169	37 924
Interest income		0	5 506
Interest expense		0	(2 440)
translation difference difference		0	(39)
Profit before income tax, minority interest		27 169	40 951
Income tax	12	(12 276)	8 473
Profit before minority interest		14 839	49 424
Net profit		14 893	49 424

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 2002 accounting periods ended on 31 of December

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

	Balance on 31.12.2002 (review)	Balance on 31.12.2003
Share capital, total	200	200
Share premium	72 063	72 063
Retained earning	(5 659)	(5 659)
Net profits (loss) of the accounting year		49 424
Equity, total	66 604	116 028

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 considering purchasing power of ruble at 31 of December, 2003)

	2003
Cash flows from principle activities	618 083
Profit before profits tax, minority interest	40 951
Adjustments for bringing the net profit to the net income (use) of cash for operational activity	48 388
Changes in account receivables	(721 061)
Changes in Inventories	(581 076)
Changes in other assets	(443)
Changes in short term and long term liabilities	1 909 409
Changes in Other liabilities	(58 370)
Interest paid	(3 019)
Income tax paid	(16 696)
Net cash flows (use) from investment activity	(652 789)
Intangible assets, Property, Plant and equipment purchase and investments into construction in progress	(132 054)
Income from sale of intangible assets, Property, Plant and equipment and construction in progress objects	9 726
Account receivables adjustment for advances for equipment and capital construction	(39 014)
Long-term investments purchase	(438 274)
Long-term investments sale	
Other investments purchase (other than long-term and trading financial investments)	(35 695)
Other investments sale (other than long-term and trading financial investments)	
Trade investment loans	27
Repayment of trade investment loans	1 485
Loans provided	(19 611)
Loans repaid	586
Interest received	
Income received from participation in other organizations	35
Currency exchange change influence on cash and cash equivalents	(5 102)
Balance of cash at the beginning of the period	90 472
Balance of cash at the end of the period	55 766
Net flow of cash and cash equivalents	(34 706)

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

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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 7% of the whole building market of Saint-Petersburg. In 2003 CJSC SSMO "LenSpecSMU" constructed building of total area 128 322 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 2003 constituted 1 053 persons.

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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

Due to the fact that the opening balance of this financial statements (i.e. of the reporting as at 31.12.2002) was not prepared in accordance with the requirements of IAS the reporting as at 31.12.2003 can not 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, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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 taxes

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 inventories to their present state as well as commercial 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 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 income statement.

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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.

Property, Plant and equipment

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

For each date of report the administration of the Company determines presence of any evidence of devaluation of the Property, Plant and equipment. 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. Depreciation 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 PPE	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, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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 Revenue 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, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

4. Cash and cash equivalents

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

	2003
Cash	7 079
Cash	1 293
Current and settlement accounts	5 786
Cash equivalents	48 687
Deposit certificates	44 829
Bills of exchange	1 645
Other cash equivalents	2 213
TOTAL	55 766

Deposit certificates for the amount of 44 829 thousand rubles include fixed balances and deposit circulations for 2 deposit lines of Baltiyskiy bank.

5. Financial assets (short-term)

As at 31 of December, 2003 short-term financial assets include other items:

Available-for-sale financial assets (AFS)	26 352
Other bills of exchange (except for bills of exchange of banks)	26 352
Loans provided	611
TOTAL	26 963

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.

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

6. Account receivables

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

Account receivables (short-term)	501 907
Account receivables for the principal activities	68 896
Account receivables for the principal activities	68 851
Account receivables accompanied by bills of exchange	45
Advances paid	60 705
Advances to suppliers for the principal activities	21 691
Advances for purchase of equipment and capital construction	39 014
Other account receivables and up-front money	378 729
Other account receivables and up-front money	378 729
Created account receivables reserve (-)	(6 423)
Account receivables (long-term)	1 107 323
TOTAL	1 609 230

Long-term accounts receivable in the amount of 1 107 323 thousand rubles are settlements with CJSC "SPb MFTC" for building of objects "Birzhevoy passage", "Morskoy fasad" and "Morskoy kaskad", etc.

Short term account receivables have the following structure:

- Account receivables under investment agreements –68 896 thousand rubles,
- Account receivables under other agreements – 439 434 thousand rubles.

In the structure of accounts receivables for principal activities, advances provided and other accounts receivables for the total amount of 508 330 thousand rubles the settlements with subsidiaries, dependent and affiliated companies constitute 168 394 thousand rubles, including:

001602 – CJSC "SPb MFTC"	144 114
001606 - CJSC "LenSpecSMU – Reconstruction"	6 096
001611 - LLC "ORGTECHREMSTROY"	249
001612 - CJSC "Energy company "Teplogarant"	22
001614 - OJSC "SMU "Elektronstroy"	132
001615 - CJSC "Building materials factory "Etalon"	3 324
001616 - CJSC "Etalon-PozhStandart"	87
001617 - CJSC "AKTIV"	14 370

**Account receivables for settlements with affiliated companies
(short-term) TOTAL** **168 394**

Settlements distribution with related parties in the structure of short-term account receivables is performed as follows:

Accounts receivable for principal activities	68 896
Affiliated companies	25 037
External companies	43 859
Advances given	60 705
Affiliated companies	0
External companies	60 705
Other account receivables and up-front money	378 729
Affiliated companies	143 357
External companies	235 372
TOTAL, short-term account receivables	508 330
Affiliated companies	168 394
External companies	339 936

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Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

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(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

The largest external debtors for principal activities are CJSC "AiST", CJSC "Nulevikon", CJSC "Slavyanskiy stroitel". There contractors lease from CJSC SSMO "LenSpecSMU" decking, electrical equipment, premises, etc.

The largest external debtors for advances given are LenEnergo (settlements for electricity), Atrium, Maximir, Novator, Nulevikon, etc. – settlements fro building and assembly works, OTIS-Lift – payment for lifting equipment and its mounting.

External debtors for other account receivables and up-front money for the amount of 235 372 thousand rubles include settlements under lease agreements, settlements redeemed from individuals, settlements for shares in GBC and other settlements.

VAT	19 442
Returning taxes (other than VAT)	24 732
TOTAL	44 174

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

7. Inventory

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

Raw stuff and materials reserves	33 374
Main (under nomenclature)	9 993
Others, including	23 381
Fuel	592
Gas	26
Gasoline	134
Diesel fuel	432
Tare and tare materials	55
Spare parts	2 482
Other reserves	20 252
Work in process	2 250 368
Work in process	2 250 482
Created reserve for GIP (Work in process)	-114
Finished goods and goods for re-sale	136 353
Main (under nomenclature) (at warehouse and loaded)	136 353
TOTAL	2 420 095

Work in process include flats in progress, infrastructure objects and objects of production purpose. The largest objects for total amount of **2 250 482** thousand rubles:

Objects

Lansky block	728 857
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	654 531
Novaya Grazhdanka	314 170
Dolgoozernaya st., flat 27A	110 200
V. O. Birzhevoy passage, 12	150 871
House near Chernaya rechka	91 367
House on Serebrystiy	83 384
House in Ozerki	23 478
Tkachey Street, 5	15 460
Infrastructure objects	60 404
Others	17 760
TOTAL	2 250 482

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

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

Investment payment	164 699
VAT for capital investments at objects of building	343 378
BAW (building and assembly works)	1 581 153
General economical expenses (26 account)	117 550
Others	43 702
TOTAL	2 250 482

Finished goods and goods for re-sale include flats redeemed for further re-sale (in particular – at the second market) at the total amount of 136 353 thousand rubles.

8. Other current assets and short term liabilities

Other current assets	18 482
Other current assets	3 417
Deferred expenses	15 065
Other short-term liabilities	3 503
TOTAL Other assets, liabilities and short-term liabilities	14 979

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Company CJSC SSMO "LenSpecSMU"

Notes to financial statements

NOTES TO FINANCIAL STATEMENTS

As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

9. Property, Plant and equipment, intangible assets and capital construction in progress objects

Property, Plant and equipment flows during 2003 is as follows:

	TOTAL	Buildings and constructions	Machines and equipment	Other FA	Construction in progress
Gross book value at the beginning of the period	1 838 006	92 428	130 413	32 713	1 582 452
Total, debit	2 916 978	110 282	194 958	37 656	2 574 082
Putting into operation	76 421	8 220	57 806	10 395	
Building using economical method	2 294 215	0	0	0	2 294 215
Assets purchase	132 054	0	0	0	132 054
Other debit circulations	414 288	102 062	137 152	27 261	147 813
Total, credit	4 537 426	62 416	310 913	34 908	4 129 189
Sold (passed over free of charge)	108 982	18 180	88 596	1 218	988
Sold (passed over free of charge) to affiliated companies	89 814	0	88 596	1 218	
Sold (passed over free of charge) to external companies	19 168	18 180	0	0	988
Putting into operation	113 066	0	0	0	113 066
Transfer into other assets structure (investments, reserves, etc.)	120 059	0	0	0	120 059
Liquidation, writing-off	60 096	905	56 104	3 087	
Other credit circulations	4 135 223	43 331	166 213	30 603	3 895 076
Cost at the end of the period	217 558	140 294	14 458	35 461	24 652
Accumulated depreciation at the beginning of the period	57 797	3 190	43 492	11 115	
Total, credit	20 089	1 620	13 007	5 462	
Accrual depreciation	20 089	1 620	13 007	5 462	
Total, debit	63 695	2 297	50 721	10 677	
Accumulated depreciation for sold (passed over free of charge) assets	33 097	1 189	31 320	588	
Accumulated depreciation of liquidated (written-off) assets	30 859	335	28 751	1 773	
Other debit circulations	(261)	773	(9 350)	8 316	
Accumulated depreciation at the end of the period	14 191	2 513	5 778	5 900	
Net book value at the beginning of the period	1 780 209	89 238	86 921	21 598	1 582 452
Net book value at the end of the period	200 674	137 781	8 680	29 561	24 652

NOTES TO FINANCIAL STATEMENTS
As at 31 of December, 2003

(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

9. Property, Plant and equipment, intangible assets and capital construction in progress objects (sequel)

Net book value of the Property, Plant and equipment of the Company constitutes **200 674** thousand rubles.

In 2003 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 88 167 thousand rubles.

Transferred fixed asset were re-valuated by the valuer and accounted in accounting records of CJSC "AKTIV" by fair value constituting 134 878 thousand rubles.

the profit received constituted 46 711 thousand rubles and was included into the structure of other operational income and expenses.

During transformation of reporting it was resolved to re-classify construction in progress of companies "LenSpecSMU" from the structure of construction in progress to the structure of Work in process due to resolution to use IFRS 18 "Proceeds" instead of using IAS 11 "Construction contracts" for accounting of the principal activities of the above company.

Re-classification amount constituted 2 246 647 thousand rubles.

In the structure of Property, Plant and equipment was included property (decking) used by LenSpecSMU on terms and conditions of leasing agreement for the total amount of 30 227 thousand rubles.

Intangible assets of the company constitute **535** thousand rubles and include licenses for performance of different kinds of building works.

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Notes to financial statements

NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

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10. Financial assets (long-term)

As at 31 of December, 2003 financial assets are represented by long-term investments, available-for-sale financial investments and loans provided :

Long-term investments	260 801
Available-for-sale financial investments (AFS)	194 350
Loans provided to legal entities	19 916
TOTAL	475 065

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

CJSC "SPb MFTC"	178
CJSC "CUN"	40
LLC "UN "LenSpecSMU"	2
CJSC "LenSpecSMU – Reconstruction"	2
CJSC "LSO"	3
LLC "ORGTECHREMSTROY"	2
OJCS "SMU" "Elektronstroy"	1 048
CJSC "Building materials factory "Etalon"	75
CJSC "Etalon – PozhStandart"	20
CJSC "AKTIV"	259 431
TOTAL	260 801

The most substantial other long-term financial assets for sale (AFS) (long-term) are property shares in garage building cooperatives and investments into different companies, including:

Names of objects

SGBC «Na Lanskom»	119 288
SGBC «Morskoy fasad»	40 116
SGBC «Garazh na Baikonurskoi»	14 560
Share in UC «Lengatour»	16 399
TOTAL	190 363

Loans provided include loans to related parties as well as to third parties:

CJSC "LSO"	66
LLC "ORGTECHREMSTROY"	850
CJSC "Energy company "Teplogarant"	1 428
CJSC "Etalon-PozhStandart"	298
CJSC "AKTIV"	1 267
External companies	16 007
TOTAL	19 916

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(Thousand Russian rubles considering purchasing power of ruble at 31 of December, 2003)

11. Liabilities

Short-term liabilities	3 861 085
Liabilities, including	951 287
Liabilities under settlements with suppliers and contractors	397 189
Advances received	239 267
Other short-term liabilities, including	314 831
Deferred income	2 909 798
Long-term liabilities under purpose financing	892 949
TOTAL	4 754 034

Short-term liabilities in the amount of 397 189 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 187 503 thousand rubles.

TOTAL

CJSC "SPb MFTC"	177 866
CJSC "CUN"	8 571
CJSC "LenSpecSMU – Reconstruction"	5
CJSC "LSO"	235
LLC "ORGTECHREMSTROY"	489
OJCS "SMU" "Elektronstroy"	337
TOTAL	187 503

Received advances in the amount of 239 267 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 for the amount of 300 146 thousand rubles are included settlements with CJSC "AKTIV" for the amount of 136 003 thousand rubles (indebtedness of CJSC SSMO "LenSpecSMU" for contributions to the authorized capital). In this section are included also settlements with building corporation "Vozrozhdeniye": compensation of expenses for the total amount of 19 215 thousand rubles, settlements for "Avangard" GBC shares purchase for the total amount of 40 116 thousand rubles as well as settlements with other contractors.

Liabilities for settlements with personnel and accompanying liabilities	9 665
Short-term liabilities for taxes payable	5 020
Other liabilities and accrual expenses	300 146
TOTAL	314 831

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11. Liabilities (sequel)

Assets received by the Holding from share holders under share holding agreements (SHA) as at 31 of December, 2003 constitute 3 802 747 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.

Deferred income	2 909 798
Long-term liabilities under purpose financing	892 949
TOTAL assets of share holders under share holding agreements	3 802 747

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%.

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.

Dolgoozernaya (Dolgoye lake, block 27A, building 34)	180 030
House in Ozerki 2 order	22 638
House on Serebrystiy, block 9B	258 433
House near Chernaya rechka	65 054
Zhivoy rodnik	551 596
Lanskoy block	1 191 898
Morskoy Kaskad (V. O., block 3A-I)	284 054
Morskoy fasad (V. O., block 3A -II)	750 656
Novaya Grazhdanka (Vavilova/Nauki st.)	460 293
Tkachey Street, 5	32 214
Others	5 881
TOTAL	3 802 747

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NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

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12. Taxation

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

Current income tax	(15 658)
Deferred income tax	24 131
TOTAL income tax	8 473

The Company is to present tax returns for different taxes including income tax to taxation bodies. 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:

Deferred tax assets	24 933
Financial investments	395
Account receivables less questionable debts reserve	6 543
Deferred expenses	6 330
Property, Plant and equipment and construction in progress	2 297
Others	9 368
Deferred tax liabilities	803
Cash and cash equivalents	395
Account receivables	401
Others	7
Total, net deferred assets(liabilities)	24 131

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13. Loans

As at 31 of December, 2003 credits can be recognized as follows:

	Loans received, total	Investment	Overdrafts
Balance at the beginning of the period (main debt)	3 004	3 004	
Received	27	27	
Returned	1 485	1 485	
Balance at the end of the period (main debt)	1 546	1 546	
Attributed to expenses	2 440		2 440
Adjustment	579	313	266
Paid up	3 019	313	2 706
Balance at the end of the period (interest)	0	0	0
Amount in currency of liabilities (main debt) at the end of the period	1 546	1 546	
Amount at the end of the period, rubles	1 546	1 546	
Total, indebtedness payable (main debt) at the end of period	1 546	1 546	
Indebtedness payable within 2 years after the date of report (main debt) at the end of the period	1 546	1 546	
Loan securing with Property, Plant and equipment and inventories mortgaged	54 000		54 000
Amount of Property, Plant and equipment mortgaged	54 000		54 000
Capital investments	54 000		54 000

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14. Revenue

Main production (in approved nomenclature), including	1 863 295
Brick (thousand pcs)	10 846
Commissioning of objects of building (houses)	1 473 750
Commissioning of objects of building (parking lots)	2 550
Commissioning of objects of building (garages)	1 076
Flats of the secondary market	13 044
Own flats	58 011
Built-in premises	18 811
Building materials and services	16 956
Lease	68 023
Other kinds (of works, services) sale	42 171
Temporary constructions	1 308
Concrete production	134 135
Car transportation services sale	22 459
Other production, goods, services	1 595
TOTAL revenue	1 864 735

15. Cost of sale

Material expenses	1 497 816
Material expenses (in approved nomenclature)	1 485 300
Engines (pcs.)	11
Brick (thousand pcs.)	20 357
Building objects commissioning (houses)	1 328 813
Metal roll (armature, angle bars, metal bars, etc.)	17 262
Materials for inside finishing (frames, doorways, paints, lacquers, linoleum, gypsum carton, hinged ceilings, etc.)	13 233
Planks, WPB	6 845
Special clothing	919
Fence plates	21
Instruments	5 664
Utilities	27 365
Cement	51 794
Sand	10 563
Concrete	2 297
Mortar	155
Material expenses (other)	12 516
Energy (electricity and heat)	1 409
Water	21
Wages and other payments to staff personnel	80 945
Depreciation	14 433
Other expenses	140 396
Transportation services	14 782
Repair and maintenance	29 032
Operational expenses	406
Others	96 176
Goods for re-sale written off to cost value	45 991
Total cost of sale	1 781 011

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NOTES TO FINANCIAL STATEMENTS As at 31 of December, 2003

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Item of cost value "building objects commissioning" has the following structure:

Building objects commissioning , including	1 328 813
building and assembly works	784 000
VAT fro capital investments at the objects	186 034
Building materials	132 881
General production expenses	79 729
energy consumption	26 576
auxiliary production expenses	19 932
car transportation expenses	26 576
Others	73 085

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16. Selling and administrative expenses

Selling and administrative and operational expenses for 2003 included the following items:

	2003
Selling expenses	79 400
Advertisement and marketing	79 400
General and administrative expenses	32 121
Wages and other payments to the staff personnel	11 885
Depreciation	964
Others	19 272

17. Other operational income and expenses

Other operational income (expenses)	77 096
Income (expenses) from assets sale	(20 989)
From sales of Property, Plant and equipment and objects of construction in progress	(22 679)
From sales of inventory	1 690
Reserves recovery/creation	(6 424)
Questionable debts reserves	(6 424)
Reserves for devaluation of reserves	0
Income from participation in other organizations	35
Services of social nature	(3 360)
Fees, fines, forfeits	(459)
Liquidation and writing-off assets related expenses	(3 577)
Property, Plant and equipment and objects of construction in progress liquidation and writing-off related expenses	(3 577)
Income/expenses from writing off liabilities/account receivables	
Income/expenses from re-valuing of foreign currency	(5 063)
Others	116 933

Other operational income for the amount of 116 993 thousand rubles include other income for sales of Property, Plant and equipment to affiliated company CJSC "AKTIV", incomes under share holding agreements and recovery of selling expenses (advertisement expenses, agency services) which were written off under IFRS and then returned under RA.

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Taxes other than income tax	(11 375)
Property tax	(8 074)
Advertisement tax	(2 737)
Others	(564)

18. Related party transactions

Company performs production operations with its subsidiaries and dependent companies which include 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 date of report did not occur.