Original in Russian language

Group of companies "LenSpetsSMU"

Consolidated financial statements prepared under IFRS

for 12 months ended December 31, 2011
including independent auditor's report

Contents

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LenSpetsSMU group.

We have audited the accompanying consolidated financial statements of CJSC Specialized Building and Assembly Association "LenSpetsSMU" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

General director ______________ Dmitry M. Vinokurov

Moscow, Russian Federation

April 25, 2012

3, Bld. 1, Krivokolenny side-street,
Moscow, 101000, Russia
Main: +7 (495) 621-10-15
Fax: +7 (495) 621-56-87

office@mkpcn.ru
www.mkpcn.ru

	Notes	As at December 31, 2011 'RR'000	As at December 31, 2010 'RR'000
ASSETS			
Non-current assets			
Fixed assets	5	503 545	707 571
Investment property	6	217 891	618 804
Intangible assets	7	2 439	2 036
Investments in associates	8	1 975 368	1 799 889
Long-term financial investments	9	548 127	1 602 233
Deferred tax assets	10	164 598	157 128
		3 411 968	**4 887 661**
Current assets			
Inventories	11	21 866 750	20 322 363
Short-term investments	12	4 168 977	1 656 971
Accounts receivable and prepayments	13	7 875 349	4 660 162
Income tax receivable		5 733	14 098
Other current assets	14	23 721	2 396
Cash and cash equivalents	15	3 321 402	2 751 286
		37 261 932	**29 407 276**
Total assets		**40 673 900**	**34 294 937**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	2 101 237	1 237
Retained earnings		13 954 906	10 172 026
Equity attributable to owners of the parent		16 056 143	10 173 263
Non-controlling interests		1 236 198	1 086 323
Total equity		**17 292 341**	**11 259 586**
Non-current liabilities			
Long-term borrowings	17	8 452 466	7 762 080
Deferred tax liabilities	10	98 108	456 936
		8 550 574	**8 219 016**
Current liabilities			
Short-term borrowings	17	1 938 490	1 401 875
Advances received on principal activity	18	9 572 336	10 019 434
Accounts payable and other liabilities	19	3 290 977	2 961 619
Income tax payable		29 182	433 407
		14 830 985	**14 816 335**
Total equity and liabilities		**40 673 900**	**34 294 937**

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 7–28.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

25 April, 2012

	Notes	12 months ended December 31, 2011 'RR'000	12 months ended December 31, 2010 'RR'000
Revenue	20	18 144 368	17 708 524
Cost of sales	21	(11 139 692)	(10 991 238)
Gross profit		**7 004 676**	**6 717 286**
Selling expenses	23	(211 406)	(180 142)
General and administrative expenses	24	(1 290 533)	(1 025 366)
Taxes, other than income tax		(132 589)	(111 865)
Other operating income/(expenses), net	25	22 690	(6 815)
Operating profit		**5 392 838**	**5 393 098**
Share in profit of associates	8	175 479	8 447
Net finance expenses	26	(637 086)	(494 493)
Profit before income tax		**4 931 231**	**4 907 052**
Income tax	27	(998 476)	(1 129 197)
Net profit for the year*		**3 932 755**	**3 777 855**
Attributable to:			
Equity holders of the parent		**3 782 880**	**3 734 130**
Non-controlling interests		**149 875**	**43 725**
Basic and diluted earnings per share		**11,92**	**3 734,13**

**No Other comprehensive income was recognized by the Group in either 2011 or 2010.*

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 7–28.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

25 April, 2012

	12 months ended December 31, 2011 'RR'000	12 months ended December 31, 2010 'RR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	**4 931 231**	**4 907 052**
Adjustments for:	**550 212**	**658 228**
Depreciation and amortization	139 793	*181 905*
Profit from sale of financial assets	(26 308)	*(55 486)*
Profit from disposal of subsidiaries	-	*(126 616)*
Provision for impairment of inventories	22 161	*(7 008)*
Provision for bad and doubtful accounts receivable	(63 254)	*(61 011)*
Provision for ongoing court litigations	(60 800)	*41 100*
Provision for impairment of financial investments	(4 290)	*72 217*
Foreign exchange loss	570 293	*20 570*
Interest expense	218 388	*606 667*
Interest income	(123 618)	*(103 991)*
Changes in amortized cost of financial assets	(27 977)	*(28 753)*
Share in profit of associates	(175 479)	*(8 447)*
Loss on disposal of non-current assets	80 219	*127 081*
Other income and expenses	1 084	-
Operating profit before changes in working capital	**5 481 443**	**5 565 280**
Increase in trade accounts receivables and prepayments	(2 908 997)	(340 722)
Decrease in inventories	20 101	2 489 980
Decrease in trade payables and advances received	(703 661)	(7 939 909)
Changes in other assets and liabilities	(21 325)	672
Cash generated from/ (used in)operations	**1 867 561**	**(224 699)**
Income tax paid	(1 761 393)	(1 020 299)
Net cash from /(used in) operating activities	**106 168**	**(1 244 998)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(401 221)	(169 208)
Proceeds from sale of fixed and intangible assets	107 802	10 789
(Purchase)/sale of securities and other financial assets	442 337	578 728
Purchase of associates	-	(91 000)
Purchase and disposal of subsidiaries	-	(325 294)
Purchase of bank deposits	(2 133 000)	-
Disbursement of loans	(55 556)	(665 840)
Repayments of loans	185 029	291 545
Interest received	104 416	94 523
Net cash used in investing activities	**(1 750 193)**	**(275 757)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	6 459 105	11 892 429
Repayment of borrowings	(5 166 580)	(8 958 163)
Interest paid	(1 087 584)	(798 644)
Increase in share capital	2 100 000	-
Net cash flows from financing activities	**2 304 941**	**2 135 622**
Effect of exchange rate changes on cash and cash equivalents	(90 800)	(21 336)
Net increase in cash and cash equivalents	**570 116**	**593 531**
Cash and cash equivalents at the beginning of the year	**2 751 286**	**2 157 755**
Cash and cash equivalents at the end of the year	**3 321 402**	**2 751 286**

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 7–28.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

25 April, 2012

'RR'000	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2010	**1 237**	**6 431 868**	**6 433 105**	**1 026 921**	**7 460 026**
Acquisition of subsidiaries	-	-	-	24 868	24 868
Acquisition of non-controlling interests	-	6 028	6 028	(9 191)	(3 163)
Net profit for the year	-	3 734 130	3 734 130	43 725	3 777 855
Balance at December 31, 2010	**1 237**	**10 172 026**	**10 173 263**	**1 086 323**	**11 259 586**
Increase in share capital	2 100 000	-	2 100 000	-	2 100 000
Net profit for the year	-	3 782 880	3 782 880	149 875	3 932 755
Balance at December 31, 2011	**2 101 237**	**13 954 906**	**16 056 143**	**1 236 198**	**17 292 341**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 7–28.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

25 April, 2012

1. Principal activities

One of the largest building and industrial holdings of Saint-Petersburg – LenSpetsSMU – was founded in 1987 as a 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 "LenSpetsSMU" constitutes about 8.5% of the whole building market of Saint-Petersburg. For 12 months ended December 31, 2011 the Group has constructed buildings of total area of 228 998 sq.m.

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

The parent company of the Group – Closed joint stock company Specialized Building and Assembly Association "LenSpetsSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of Charter was registered on 28.03.2012 г.

CJSC Specialized Building and Assembly Association "LenSpetsSMU" and its subsidiary CJSC "SPb MFTC" are members of self-regulated organization based on membership of bodies performing building and construction works – Not-for-profit partnership "Association of constructors of Saint Petersburg", registration number CPO-C-003-22042009. The Group holds the following certificates:
- permission to perform the functions of general subcontractor;
- certificate for access to works which influence safety of capital construction;
- permission to perform the functions of technical supervision (functions of building developer).

Principal subsidiaries of the Group: CJSC "AKTIV", CJSC "SPb MFTC", OJSC "SMU "Electronstroy", CJSC "CUN", LLC "Vertikal", LLC "Daikar".

Principal associated of the Group: CJSC "LenSpetsSMU-Reconstruction", CJSC "Building materials factory "Etalon", CJSC "Zatonskoye", CJSC "ART-Business-TV".

The parent company and the subsidiaries together hereinafter are referred to as "the Group". Shareholders of the parent are a legal entity and an individual, a citizen of the Russian Federation. The parent's head office is located in Saint-Petersburg at the following address: Bogatyrskiy prospect, 2.

The immediate parent company of the Group is CJSC "Managerial company - Construction holding " Etalon-LenSpetsSMU ", registered in the Russian Federation.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment and the impact of such differences on the operations and the financial position of the Group may be significant.

2. Basis of preparation

(a) Basic principles

Historical cost basis

The consolidated financial statements have been prepared on the historical cost basis except for financial assets held for trading carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and Interpretations, as issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC').

The Group companies maintain its accounting records in accordance with the legislative requirements of the Russian Federation. The accompanying consolidated financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of IFRS.

Adoption of new and revised Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011.

Standards issued but not yet effective

At the date of authorization of these financial statements, the following standards and interpretations were issued but not yet effective:

Standard/Interpretation	Effective for annual periods
IAS 27 Separate Financial Statements (as revised in 2011)	beginning on or after 1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	beginning on or after 1 January 2013
IFRS 9 Financial Instruments	beginning on or after 1 January 2013
IFRS 10 Consolidated Financial Statements	beginning on or after 1 January 2013
IFRS 11 Joint Arrangements	beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	beginning on or after 1 January 2013
Amendment to IAS 1 Presentation of Financial Statements – presentation of items of Other comprehensive income	beginning on or after 1 July 2012
Amendment to IAS 12 Income Taxes – Recovery of underlying assets	beginning on or after 1 January 2012
Numerous amendments to IAS 19 Employee Benefits	beginning on or after 1 January 2013
Amendment to IFRS 7 Financial Instruments: Disclosures	beginning on or after 1 July 2011

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group.

(b) Consolidation and accounting for business combinations

Subsidiaries are the legal entities (including special purpose entities), where the Group has the power to govern the financial and operating policies (to control) as a result of:
- power over more than one-half of the voting rights of the subsidiary, or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the subsidiary, or,
- power to govern the financial and operating policies of the other entity under other reasons.

<u>Consolidation</u>
Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

<u>Accounting for acquisition of an asset or group of assets that are not businesses</u>
Acquisitions of controlling shareholdings in entities that are not businesses and in which there is no integrated set of activities conducted and assets are managed for the purpose of providing a return to investors, are accounted for as purchases of assets. The consideration paid to acquire such companies (typically entities holding development rights) is allocated to the identifiable assets and liabilities based on their relative fair values. Such a transaction does not give rise to goodwill.

<u>Business combinations and goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling

interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The consolidated financial statements include the following companies:

	Ownership	
	December 31, 2011	December 31, 2010
CJSC "CUN"	40,00%	40,00%
CJSC "SPb MFTC"	61,00%	61,00%
CJSC "AKTIV"	100,00%	100,00%
OJSC "SMU "Electronstroy"	99,24%	99,24%
LLC "Vertikal"	100,00%	100,00%
LLC "Daikar"	95,00%	95,00%

The share of LenSpetsSMU's in the authorized capital of the company CJSC 'CUN" constitutes 40%, but the nature of the relationship between CJSC SSMO 'LenSpetsSMU' and CJSC 'CUN" evidences existing of strong control, and therefore, to recognize CJSC 'CUN' being a subsidiary of the Group.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture as a result of:
- power over 20-50 percent of the voting rights of the other entity, or
- representation at meetings of the board of directors or equivalent governing body of the subsidiary, or,
- power to influence the financial and operating policies of the other entity under other reasons.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The statement of comprehensive income includes the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Losses of an associate in excess of the Group's interest in that associate are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Associated companies accounted using equity method

	Ownership	
	December 31, 2011	December 31, 2010
CJSC "LenSpetsSMU-Reconstruction"	25,00%	25,00%
CJSC "Building materials factory "Etalon"	45,00%	45,00%
CJSC "Zatonskoye"	49,00%	49,00%
CJSC "ART-Business-TV"	50,00%	50,00%

Detailed information on changes in the Group's investments in associates is presented in Note 8.

(d) Functional and presentation currency

The individual financial statements of each entity in the Group are prepared in the currency of the primary economic environment in which the entity operates - its functional currency. The functional currency of the Group's companies is the national currency of the Russian Federation - the Russian rouble ('RR'). Transactions in other currencies are accounted for as foreign currency transactions.

The consolidated financial statements are presented in Russian roubles rounded to the nearest thousand.

(e) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates that the Group has neither intention nor the obligation to cease or significantly curtail its business in the foreseeable future. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The accompanying consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

(f) Use of accounting estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3. Significant accounting policies

The following significant accounting policies have been consistently applied by the Group in the preparation of the financial statements and are consistent with those used in the prior year.

(a) Intangible assets

Intangible assets include software, trademarks and licenses.

(i) Software

Software is initially recognized at cost, including expenses for acquisition and bringing the asset into operation, and then carried at cost less accumulated amortization and impairment losses.

(ii) Other intangible assets

Purchased other intangible assets are stated at cost less accumulated amortization and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure related to capitalize intangible assets is capitalized only when it increases the future economic benefits embodied in the item and which the Group expects to recover. All other expenditure is recognized as an expense as incurred.

(iv) Useful life and amortization of intangible assets

Intangible assets are amortized during their estimated useful lives and analyzed for impairment when an indication of impairment has been identitifed. For the purposes of consolidated financial statements the following estimated useful lives are used:

Software	1-10 years
Trademarks	10 years

(b) Fixed assets

The Group's fixed assets comprise mainly land, building and construction, equipment, vehicles, and other equipment such as office equipment and furniture.

(i) Owned property

Items of fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items.

At each reporting date the Group performs a review to determine whether there is any indication of impairment loss in respect of its fixed assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss within other operating expenses.

(ii) Subsequent repair and replacement expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditure is recognized in the statement of comprehensive income for the reporting period as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. For the purposes of consolidated financial statements the following estimated useful lives are used:

Buildings and constructions	25-30 years
Machinery and equipment	3-5 years
Vehicles	5 years
Other assets	3–5 years

(c) Investment property

Investment property comprises items of real estate which are held to earn rentals.

Investment property is measured at its cost less any accumulated depreciation and impairment losses. The cost of self-constructed investment property includes cost of materials, labour and other directly related expenses.

Residual value and useful lives are revised and adjusted at each reporting date. When the carrying amount of an asset exceeds its recoverable amount the carrying value is reduced to that recoverable amount and the difference is recognized as an impairment loss in the statement of comprehensive income in the same period.

(d) Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date (delivery).

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The subsequent measurement of financial assets depends on their classification into one of the four categories of financial instruments.

Financial assets held for trading are classified as financial assets at fair value through profit or loss category and are measured at fair value. Gains and losses arising from net changes in fair value are recognised in consolidated statement of comprehensive income. Fair value of securities held for trading is determined from stock exchange quotations at the reporting date.

The Group's loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets, included in Loan and receivables category, are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortization is included in finance income.

Bank deposits are classified as held-to-maturity investments when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortization is included in finance income.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as available-for-sale financial assets and subsequently measured at cost, less impairment losses.

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(e) Inventories

For accounting of construction in progress the Group applies IAS 2 "Inventories".

Sales of construction objects are performed through execution of unit participation agreements (SPA) with future owners of housing (unit holders) or through executing agreements of preliminary sale (PSA), or through execution of investment agreements with construction cooperatives (IA).

Notwithstanding considerable differences in sale schemes, risks associated with buildings being constructed are transferred to unit holders (buyers) after approval of a building by the State commission. Before approval is obtained housing and premises (including garages) under construction are accounted as Work in process in inventories.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase, production costs and other related costs included in finished goods. Administrative expenses that do not contribute to bringing the inventories to their present condition as well as selling costs are not included in the cost of the inventories.

As the Group's normal operating cycle for a construction project may exceed twelve months, inventories are classified as current assets even when they are not expected to be realized within twelve months after the reporting date.

(f) Accounts receivable and prepayments

Accounts receivable and prepayments are stated at cost less provision for impairment.

Accounts receivable on principal activities include amounts due from individuals and legal entities for apartments.

Other accounts receivable include rent receivables, amounts due under agreements for sale of shares in garage-building cooperatives and other.

Taxes recoverable comprise value added tax (hereinafter – VAT) receivable and other taxes receivable.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts and highly liquid bank deposits not bearing any agreed obligations.

(h) Share capital

Share capital is represented by equity shares stated at historical cost, except for cash contributions received before January 1, 2003 which have been inflated. Non-cash contributions are recognized at fair value of contributed assets on the date of contribution.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

(i) Advances received on principal activity and accounts payable

In accordance with the share participation agreements the Group customers finance the construction works of the Group by making prepayments. After finishing the construction and obtaining the approval of a building by the state commission and passing the ownership right for the apartments to the respective owners, the Group transfers the amounts to the income statement on item-by-item basis.

Accounts payable are stated at cost.

(j) Loans and borrowings

Loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequently loans and borrowings are measured at amortized cost using effective interest rate method. Interest on borrowings used by the Group to finance construction or acquisition of an item that necessarily takes a substantial period of time to get ready for its intended use are capitalized within the cost of that item.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, initial recognition of assets or liabilities that affect neither accounting nor taxable profit and investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and that it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Recognition of operating income/expenses related to principal activities

Revenue from sale of constructed housing, revenue from principal activities and related expenses are recognized in the same period. In accordance with IFRS 18 "Revenue" the revenue is recognized when:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The amount of revenue can be measured reliably;
- The cost incurred or to be incurred in respect of the transaction can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group.

All income and expenses are shown in the financial statements separately and net of VAT.

(m) Foreign currency transactions

Assets and liabilities of Company denominated in foreign currencies were translated into Russian roubles using the official exchange rate of Central Bank of Russian Federation (CBR) prevailing at the financial statement date. Income and expenses denominated in foreign currencies were translated at official exchange rates ruling at the dates of the transactions. Decrease or increase in assets and liabilities denominated in foreign currencies caused by changes in official exchange rate after date of transaction are recognized in profit or loss as foreign exchange gain or loss.

In case assets and liabilities are denominated in foreign currency (or standard units), transactions made in roubles are stated in the Company's financial statements in the same way as transactions denominated in foreign currency.

As at December 31, 2010 the official exchange rate was USD 30.4769 roubles, euro 40.3331 roubles. As at December 31, 2011 the official exchange rate was USD 32.1961 roubles, euro 41.6714 roubles.

4. Operating segments

The Group operates in a single operating and geographic segment which is construction of premises. Revenue earned from this activity exceeds 90 percent of total Group revenue. All significant assets, management and administrative facilities are located within the territory of the Russian Federation.

5. Fixed assets

'RR'000	Land	Buildings and facilities	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At December 31, 2010	9 188	482 133	751 171	42 406	26 334	1 566	1 312 798
Additions	-	463 645	157 248	28 594	2 181	1 207	652 875
Disposals	-	(559 681)	(337 456)	(23 770)	(999)	-	(921 906)
At December 31, 2011	**9 188**	**386 097**	**570 963**	**47 230**	**27 516**	**2 773**	**1 043 767**
Depreciation							
At December 31, 2010	-	(130 300)	(432 028)	(24 752)	(18 147)	-	(605 227)
Depreciation charge for the period	-	(40 612)	(87 856)	(9 186)	(4 223)	-	(141 877)
Depreciation on disposals	-	53 732	143 871	8 558	721	-	206 882
At December 31, 2011	-	**(117 180)**	**(376 013)**	**(25 380)**	**(21 649)**	-	**(540 222)**
Net book value							
At December 31, 2010	**9 188**	**351 833**	**319 143**	**17 654**	**8 187**	**1 566**	**707 571**
At December 31, 2011	**9 188**	**268 917**	**194 950**	**21 850**	**5 867**	**2 773**	**503 545**
Cost							
At December 31, 2009	30 693	905 243	756 372	36 872	22 749	843	1 752 772
Additions	-	300 052	86 376	10 402	4 255	1 566	402 651
Disposals	(21 505)	(723 162)	(91 577)	(4 868)	(670)	(843)	(842 625)
At December 31, 2010	**9 188**	**482 133**	**751 171**	**42 406**	**26 334**	**1 566**	**1 312 798**
Depreciation							
At December 31, 2009	-	(152 619)	(349 684)	(21 735)	(13 345)	-	(537 383)
Depreciation charge for the period	-	(42 312)	(137 770)	(7 143)	(5 361)	-	(192 586)
Depreciation on disposals	-	64 631	55 426	4 126	559	-	124 742
At December 31, 2010	-	**(130 300)**	**(432 028)**	**(24 752)**	**(18 147)**	-	**(605 227)**
Net book value							
At December 31, 2009	**30 693**	**752 624**	**406 688**	**15 137**	**9 404**	**843**	**1 215 389**
At December 31, 2010	**9 188**	**351 833**	**319 143**	**17 654**	**8 187**	**1 566**	**707 571**

6. Investment property

'RR'000	2011	2010
Cost		
At the beginning of the period	**646 959**	**318 792**
Additions	86 208	347 588
Disposals	(484 956)	(19 421)
At the end of the period	**248 211**	**646 959**
Depreciation		
At the beginning of the period	**(28 155)**	**(10 277)**
Depreciation charge for the period	(19 928)	(21 334)
Depreciation on disposals	17 763	3 456
At the end of the period	**(30 320)**	**(28 155)**
Net book value at the beginning of the period	**618 804**	**308 515**
Net book value at the end of the period	**217 891**	**618 804**

7. Intangible Assets

'RR'000	Licenses	Software	Trademarks	Other intangibles	TOTAL
Cost					
At December 31, 2010	**-**	**7 882**	**623**	**37**	**8 542**
Additions	-	1 185	259	-	1 444
Disposals	-	(5 580)	-	-	(5 580)
At December 31, 2011	**-**	**3 487**	**882**	**37**	**4 406**
Amortization					
At December 31,2010	**-**	**(6 204)**	**(291)**	**(11)**	**(6 506)**
Amortization charge for period	-	(915)	(120)	(6)	(1 041)
Amortization on disposals	-	5 580	-	-	5 580
At December 31, 2011	**-**	**(1 539)**	**(411)**	**(17)**	**(1 967)**
Net book value					
At December 31, 2010	**-**	**1 678**	**332**	**26**	**2 036**
At December 31, 2011	**-**	**1 948**	**471**	**20**	**2 439**
Cost					
At December 31, 2009	**254**	**8 037**	**511**	**37**	**8 839**
Additions	-	382	112	-	494
Disposals	(254)	(537)	-	-	(791)
At December 31, 2010	**-**	**7 882**	**623**	**37**	**8 542**
Amortization					
At December 31,2009	**(102)**	**(5 512)**	**(222)**	**(6)**	**(5 842)**
Amortization charge for period	(97)	(1 229)	(69)	(5)	(1 400)
Amortization on disposals	199	537	-	-	736
At December 31, 2010	**-**	**(6 204)**	**(291)**	**(11)**	**(6 506)**
Net book value					
At December 31, 2009	**152**	**2 525**	**289**	**31**	**2 997**
At December 31, 2010	**-**	**1 678**	**332**	**26**	**2 036**

8. Investments in Associates

Summary of changes in the Group's investments in associated companies in the reporting period:

'RR'000	As at December 31, 2011	12 months ended December 31, 2011				As at December 31, 2010
	Investment in associated companies	Acquisition	Share of net profit	Impairment of investments	Dividends received	Investment in associated companies
CJSC "LenSpetsSMU-Reconstruction"	32 651	-	2 496	-	-	30 155
CJSC "Building materials factory "Etalon"	65 578	-	17 018	-	-	48 560
CJSC "Zatonskoye"	1 877 139	-	155 965	-	-	1 721 174
CJSC "ART-Business-TV"	-	-	-	-	-	-
Total	**1 975 368**	**-**	**175 479**	**-**	**-**	**1 799 889**

Summary of associated companies assets, liabilities, equity, revenue and net profit / (losses):

'RR'000	As at December 31, 2011			As at December 31, 2010		
	Total assets	Total liabilities	Equity	Total assets	Total liabilities	Equity
CJSC "LenSpetsSMU-Reconstruction"	884 039	753 435	130 604	1 021 896	901 278	120 618
CJSC "Building materials factory "Etalon"	153 014	7 285	145 729	115 649	7 738	107 911
CJSC "Zatonskoye"	6 929 331	6 614 941	314 390	3 490 343	3 493 018	(2 675)
CJSC "ART-Business-TV"	48 889	50 165	(1 276)	43 357	43 869	(512)

'RR'000	12 months ended December 31, 2011		12 months ended December 31, 2010	
	Revenue	Net profit / (losses)	Revenue	Net profit / (losses)
CJSC "LenSpetsSMU-Reconstruction"	1 653 381	9 986	1 265 821	17 085
CJSC "Building materials factory "Etalon"	220 524	37 818	140 973	8 648
CJSC "Zatonskoye"	488 374	317 065	5 873	(1 450)
CJSC "ART-Business-TV"	-	(764)	-	(25)

9. Long-term financial investments

'RR'000	As at December 31,2011	As at December 31,2010
Loans given	548 072	530 497
Bonds	-	1 081 105
Long-term equity investments	435	552
Impairment provision for financial investments	(380)	(9 921)
Total Long-term financial investments	**548 127**	**1 602 233**

Loans given to legal entities are denominated in Russian roubles and are stated at amortized cost. The effective interest rate as at December 31, 2011 was 12.25% and as at December 31, 2010 was 11.92% correspondingly.

10. Deferred taxation

Deferred corporate income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred corporate income taxes relate to the same fiscal authority. Parent company and subsidiaries must prepare tax reports separately. The gross movement on the deferred corporate income tax account is as follows:

'RR'000	As at December 31, 2011
Deferred tax asset at the beginning of the period	157 128
Deferred tax liability at the beginning of the period	(456 936)
Net deferred tax at the beginning of the period	(299 808)
Tax included in the Statement of comprehensive income (Note 27)	366 298
Net deferred tax at the end of the period	66 490
Including:	
Deferred tax asset	**164 598**
Deferred tax liability	**(98 108)**

The analysis of deferred tax assets and liabilities:

'RR'000	As at December 31, 2011	As at December 31, 2010
Fixed assets and intangible assets	95 609	37 868
Financial assets	72	11 380
Loans given	16 515	20 986
Bank and corporate borrowings	13 648	13 532
Inventories	456 920	1 128 917
Trade accounts receivable	72 512	103 542
Trade accounts payable	1 781 865	1 802 679
Prepaid expenses	3 725	4 671
Provisions	78 174	-
Tax losses	1 251	1 133
Other	415	-
Deferred tax asset:	**2 520 706**	**3 124 708**
Offsetting deferred tax assets and liabilities*	(2 356 108)	(2 967 580)
Net deferred tax assets	**164 598**	**157 128**

'RR'000	As at December 31, 2011	As at December 31, 2010
Fixed assets and intangible assets	(572)	(382)
Financial assets	(47 233)	(1 078)
Inventories	(7 406)	(20 908)
Bank and corporate borrowings	(10 867)	(17 202)
Trade accounts receivable	(27 297)	-
Trade accounts payable	(2 325 262)	(2 905 381)
Advances received	(35 578)	(98 424)
Other current assets	(1)	(381 141)
Deferred tax liability:	**(2 454 216)**	**(3 424 516)**
Offsetting deferred tax assets and liabilities*	2 356 108	2 967 580
Net deferred tax liability	**(98 108)**	**(456 936)**
Net deferred tax at the end of the period	**66 490**	**(299 808)**

** Offset of deferred tax assets and liabilities are eliminated in the consolidation deferred tax balances recorded on a net basis in each of the Group companies.*

11. Inventories

'RR'000	As at December 31, 2011	As at December 31, 2010
Construction in progress of apartment building objects	10 197 831	8 953 135
Construction in progress of garage building objects	537 087	463 952
Total construction in progress	**10 734 918**	**9 417 087**
Apartments – finished goods	7 591 051	8 056 526
Built-in premises (non-residential)	3 409 861	2 796 451
Apartments for resale	44 545	23 506
Concrete and reinforced concrete items	4 989	5 874
Food	116	166
Other	862	862
Provision for impairment of goods	(26 980)	(6 691)
Total finished products and goods for resale	**11 024 444**	**10 876 694**
Concrete and reinforced concrete items	444	20 233
Construction materials	14 728	12 847
Auxiliary materials for the basic production	79 781	6 195
Metal-roll (armature, angle bars, metal bars, etc.)	2 726	3 433
Fuel	6 321	1 658
Inventories and utilities	1 798	1 636
Special clothing	568	538
Cement	100	458
Other inventories	1 764	1 047
Provision for impairment of materials	(842)	(19 463)
Total raw materials	**107 388**	**28 582**
Total inventories	**21 866 750**	**20 322 363**

The construction in progress includes apartments under construction, infrastructure and non-residential property. Items of construction in progress in total amount of 10 734 918 thousand roubles are listed below:

'RR'000	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Yubileinyi Kvartal	2 102 454	166 852	2 269 306	3 529 826	375 497	3 905 323
Orbita	3 095 028	236 248	3 331 276	2 686 888	37 948	2 724 836
Talisman	-	-	-	602 006	4 650	606 656
HC Moscow, Starokrymskaya, 13	632 398	-	632 398	581 646	-	581 646
Lastochkino Gnezdo	738 062	7 271	745 333	443 949	-	443 949
Etyud	691 874	56 402	748 276	285 221	44 013	329 234
Prestige	693 853	44 402	738 255	293 427	1 844	295 271
AURA	-	-	-	123 231	-	123 231
Technopark	7 229	24 957	32 186	90 854	-	90 854
Galant	431 388	-	431 388	-	-	-
Dom na Koroleva	147 263	670	147 933	-	-	-
Tsarskaya stolitsa	89 430	-	89 430	-	-	-
Letniy	390 314	283	390 597	-	-	-
Moskovskiy	17 879	-	17 879	-	-	-
Molodezhniy	4 719	-	4 719	-	-	-
Samotsvety	908 813	-	908 813	-	-	-

'RR'000	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Infrastructure items	242 841	-	242 841	248 737	-	248 737
Other	4 286	2	4 288	67 350	-	67 350
Total	**10 197 831**	**537 087**	**10 734 918**	**8 953 135**	**463 952**	**9 417 087**

The analysis evidences that that in 2011 the largest non-completed items were housing complex "Yubileinyi Kvartal" and housing complex "Orbita".

12. Short-term investments

'RR'000	As at December 31, 2011	As at December 31, 2010
Deposits	2 133 000	-
Financial assets held-for-trading	1 983 800	1 601 740
Loans given to legal entities	52 177	55 231
Total short-term investments	**4 168 977**	**1 656 971**

Financial assets held-for-trading include property units in garage-building cooperatives. The units are stated at cost which approximates their fair value.

The Group purchased bank deposits totaling 'RR'000 2 133 000 for the period of 91-362 days at the effective interest rate of 7,93%.

13. Accounts receivable and prepayments

'RR'000	As at December 31, 2011	As at December 31, 2010
Trade accounts receivable	1 301 692	649 718
Accounts receivable in form of promissory notes	221 801	292 339
Prepayments to suppliers onprincipal activities	5 151 792	2 834 654
VAT recoverable	232 852	436 393
Other taxes recoverable	1 664	1 649
Other receivables	1 066 464	610 828
Provision for bad and doubtful debts	(100 916)	(165 419)
Total accounts receivable and prepayments	**7 875 349**	**4 660 162**

Movement in provision for bad and doubtful debts are shown below:

'RR'000	2011
As at January 1, 2011	**(165 419)**
Charge in the period	(9 825)
Balances written off	1 249
Unused provision released	73 079
As at December 31, 2011	**(100 916)**

Accounts receivable arise from the Group principal activities including sale of constructed items and construction works.
The major counterparts for prepayments are CJSC "Sankt-Petersburgskie electricheskie seti" (electricity supply), GUP "Vodokanal" (connecting to water supply), LLC "LSS-story" (investments in construction), LLC "Peterburgskiy Vzglyad" (prepayment for a plot of land), Company SIMTAN VENTURES LIMITED (prepayment for a plot of land).

14. Other current assets

Other current assets include prepaid expenses, which are amounts paid in the current period and which relate to future periods, including insurance and other.

Prepaid expenses are analysed as following:

'RR'000	As at December 31, 2011	As at December 31, 2010
Insurance	23 708	2 378
Other	13	18
Total other current assets	**23 721**	**2 396**

15. Cash and cash equivalents

'RR'000	As at December 31, 2011	As at December 31, 2010
Cash in hand	1 449	2 844
Cash in bank — rouble accounts	182 274	73 461
Cash in bank — foreign currency accounts	12 192	534
Short-term bank deposits	3 122 587	2 645 497
Other cash and cash equivalents	2 900	28 950
Total cash and cash equivalents	**3 321 402**	**2 751 286**

16. Share capital

At 31 December 2011 authorized, issued and fully paid in share capital of the Group's parent comprised of 10 501 000 shares of par value 200 roubles (2010: 1 000 shares).

Issued and fully paid in share capital:

	Number of shares	Carrying value, RR'000
As at January 1, 2010	1 000	1 237
As at December 31, 2010	1 000	1 237
Issued in the year	10 500 000	2 100 000
As at December 31, 2011	**10 501 000**	**2 101 237**

Carrying value of share capital includes inflation adjustment amounting to 'RR'000 1 037 recorded in prior periods due to hyperinflation in the economy of the Russian Federation in the period from beginning of 1990 to December 31, 2002.

All 10 500 thousand shares issued in the reporting period were purchased by the Company's immediate parent CJSC " Managerial company-Construction holding "Etalon-LenSpetsSMU" at par value 200 roubles per share.

Weighted average number of shares outstanding in the reporting period were 317 438.

Computation of weighted average number of shares:

Issue date 21.12.2011	Number of shares	Number of days	Weighted average number of shares in the year
Before issue	1 000	354	970
After issue	10 501 000	11	316 468
Total		365	317 438

The shareholders of the Company as at December 31, 2011are listed below:

Shareholder	Number of shares	Share, %	Par value RR'000	Carrying value, RR'000
CJSC " Managerial company-Construction holding "Etalon-LenSpetsSMU"	10 500 985	100,00%	2 100 197	2 101 218
Other	15	0,00%	3	19
	10 501 000	**100,0%**	**2 100 200**	**2 101 237**

Dividends

No dividends were declared or paid by the Group in both 2011 and 2010.

17. Loans and borrowings

'RR'000	As at December 31, 2011	As at December 31, 2010
Long-term loans and borrowings		
Bank loans (principal amount)	3 654 569	969 598
Corporate loans (principal amount)	4 797 897	6 792 482
	8 452 466	**7 762 080**
Short-term loans and borrowings		
Bank loans (principal amount)	152 822	-
Bank loans (interest accrued)	13 243	208
Corporate loans (principal amount)	1 687 173	1 305 625
Corporate loans (interest accrued)	85 252	96 042
	1 938 490	**1 401 875**
Total loans and borrowings:	**10 390 956**	**9 163 955**

Long-term bank loans comprise bank loans obtained from OJSC 'Alfa-Bank' in amount of 'RR'000 1 240 936, from OJSC "Bank Saint-Petersburg" in amount of 'RR'000 1 464 066, from OJSC 'Bank ZENIT' in amount of 'RR'000 643 922, CJSC "Raiffeisenbank" in amount of 'RR'000 305 645.

Short-term bank loans comprise a bank loan obtained from CJSC "Raiffeisenbank" in amount 'RR'000 152 822.

Bank loans are secured by mortgage of land plots with a carrying amount of 'RR'000 27 622 (mortgage value 'RR'000 425 722), buildings with a carrying amount of 'RR'000 151 842 (mortgage value 'RR'000 170 281), goods with a carrying amount of 'RR'000 449 220 (mortgage value 'RR'000 416 939).

All corporate loans are unsecured.

(a) Bank loans and borrowings

'RR'000	As at December 31, 2011
Balance at the beginning of the year (principal amount), undiscounted	**972 994**
Received (principal amount)	6 879 980
- *including foreign exchange difference*	*445 875*
Repaid (principal amount)	(4 045 583)
- *including foreign exchange difference*	*(210 652)*
Balance at the end of the year (principal amount)	**3 807 391**
Balance at the beginning of the year (interest)	**190**
Charged to expenses (interest)	1 636
Capitalized (interest)	190 513
-including foreign exchange difference	*1 636*
Interest paid	(179 096)
-including foreign exchange difference	*(858)*
Balance at the end of the year (interest)	**13 243**
Balance at the end of the year (principal amount) analysed by currency	**3 807 391**
- Russian roubles	1 250 000
- US dollars	1 102 389
- Euro	1 455 002
Totalloans and borrowings (principal amount) at the end of year,undiscounted	**3 807 391**
Payable within 12 months after the financial statement date (principal amount)	152 822
Payable within 2 years after the financial statement date	1 090 786
Payable within 3 years after the financial statement date	1 906 750
Payable within 4 years after the financial statement date	657 033
Payable within 5 years after the financial statement date	-
Total loans and borrowings (interest) at the end of the year	**13 243**
Payable within 12 months after the financial statement date	13 243
Total amount payable (principal amount and interest) at the end of the year, undiscounted	**3 820 634**
Total amount payable (principal amount and interest) at the end of the year, amortized cost	**3 820 634**
Including interest	13 243

(b) Corporate loans

Long-term loans comprise bond issue arranged by OJSC 'Promsvyabank' acting as underwriter in the total amount of 'RR'000 608 359 and loan from 'North Star B.V. in amount of 'RR'000 4 189 538.

Short-term loans comprise bond issues arranged by OJSC 'Alfa-Bank' and OJSC 'Promsvyabank' acting as underwriters in the total amount of 'RR'000 1 682 465, a loan from OJSC "Etalon-Invest" in amount of 'RR'000 4 108, and other loans in the total amount of 'RR'000 600.

'RR'000	As at December 31, 2011
Balance at the beginning of the year (principal amount), undiscounted	**8 182 892**
Received (principal amount)	25 000
-including foreign exchange difference	-
Repaid (principal amount)	(1 073 769)
-including foreign exchange difference	*257 880*
Repurchased obligations	(595 724)
Balance at the end of the year (principal amount)	**6 538 399**
Balance at the beginning of the year (interest)	**93 537**
Charged to expenses (interest)	224 431
Capitalized (interest)	695 817
-including foreign exchange difference	*6 043*
Repaid (interest)	(919 509)
-including foreign exchange difference	*(10 163)*
Repurchased obligations	(8 609)
Other	(415)
Balance at the end of the year (interest)	**85 252**
Balance at the end of the year (principal amount) analyzed by currency	**6 538 399**
- Russian roubles	2 304 708
- US dollars	4 233 691
Total amount payable at the end of the year (principal amount and interest), undiscounted	**6 623 651**
Payable within 12 months after the financial statement date (principal amount)	1 704 708
Payable within 12 months after the financial statement date (interest)	85 252
Payable within 2 years after the financial statement date	2 032 630
Payable within 3 years after the financial statement date	1 642 001
Payable within 4 years after the financial statement date	1 159 060
Payable within 5 years after the financial statement date	-
Total amount payable (principal amount and interest) at the end of the year, amortized cost	**6 570 322**

18. Advances received within the principal activities

Advances received include amounts received by the Group as prepayments from buyers of construction objects.

Advances are transferred to income as soon as the construction items are accepted by the state commission and only when the following criteria are fulfilled: transfer to the buyer all significant risks and rewards, the amount of revenue and related cost can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group.

19. Accounts payable and other liabilities

'RR'000	As at December 31, 2011	As at December 31, 2010
Current liabilities		
Accounts payable — trade	1 479 461	1 332 996
Wages and salaries payable	62 416	50 822
VAT payable	409 057	38 752
Other taxes payable	25 022	24 733
Accrued provisions	924 873	1 220 234
Other payables	390 148	294 082
Total accounts payable	**3 290 977**	**2 961 619**

Accrued provisions in amount of RR'000 924 573 are obligations to perform certain works after construction items are passed over to customers and provision for ongoing court litigations in amount of RR'000 300.
Trade accounts payable arise in process of the Group operating activities and include amounts due to suppliers for raw materials, inventories and construction services.

20. Revenue

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Finished goods - apartments	8 923 086	13 364 725
Commissioning of construction objects	5 748 962	1 049 886
Built-in premises (non residential)	1 255 560	1 623 490
Building and assembly works	554 235	709 395
Agent services	423 843	171 115
Concrete production	340 619	226 479
Rent	333 134	252 100
Ferroconcrete production	206 790	87 550
Auto services sales	81 320	55 183
Resale of apartments	4 710	24 198
Sale of other works and services	214 450	136 390
Other products, goods, materials	57 659	8 013
Total revenue	**18 144 368**	**17 708 524**

21. Cost of sales

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Finished goods - apartments	4 626 733	7 158 074
Commissioning of construction objects	4 081 230	925 390
Built-in premises (non residential)	776 764	1 462 315
Other products, goods, materials	546 654	387 689
Building and assembly works	518 029	557 188
Wages, salaries and other personnel expenses	202 212	152 847
Depreciation of fixed assets	123 034	143 612
Maintenance expenses	29 326	21 936
Depreciation of investment property	9 872	16 545
Repair and maintenance	9 325	9 207
Resale of apartments	6 743	16 226
Depreciation of intangible assets	-	18
Other services	209 770	140 191
Total cost of sales	**11 139 692**	**10 991 238**

22. Long-term construction contracts

Recognition of revenue and expenses for long-term construction contracts is made by reference to the stage of completion of the contract at the end of the reporting period.

The stage of completion is determined as proportion of contract costs incurred at the end of the reporting period to the estimated total contract costs.

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Revenue from long-term construction contracts in the reporting period	422 955	544 012
Cost incurred under long-term construction contracts in the reporting period	(409 457)	(531 502)
Total profit recognized under long-term construction contracts	**13 498**	**12 510**
Aggregated cost incurred and recognized profit under long-term construction contracts outstanding at the end of reporting period	331 066	248 179
Unbilled receivables	232 949	-
Billings in excess of work completed	5 517	-
Advances for which the related work has not started	799 455	5 296
Retentions relating to construction contracts	-	12 303

23. Selling expenses

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Advertisement and marketing	180 288	179 386
Agency services	23 007	619
Other	8 111	137
Total selling expenses	**211 406**	**180 142**

24. General and administrative expenses

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Wages, salaries and other personnel expenses	770 900	626 125
Management services	317 232	267 402
Maintenance services	68 395	31 678
Security service	31 726	15 624
Consulting, legal, audit services	26 856	11 865
Rent	10 602	6 473
Depreciation of fixed assets	5 846	20 349
Transportation expenses	4 440	4 188
Depreciation of intangible assets	1 041	1 381
Other	53 495	40 281
Total general and administrative expenses	**1 290 533**	**1 025 366**

25. Other operating income/(expenses), net

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Compensation of other operations costs	68 631	(10 653)
Change in bad debts provision	63 254	61 011
Change in provision for ongoing court litigations	60 800	(41 100)
Unused provisions for carried over works written off	39 940	102 755
Net income from sale of financial assets	26 308	55 486
Fines, penalties and forfeits receivable	13 086	31 157
Change in provision for impairment of investments	4 290	(72 217)
SPA settlements after commissioning of the house by State commission	584	(24 593)
Income from sale of subsidiaries	-	126 616
Change in provision for impairment of inventories	(136)	(19 136)
Income / (expenses) from accounts receivable / (payable) write-off	(373)	6 932
Fines, penalties and forfeits payable	(2 501)	(665)
Charity	(7 647)	(4 867)
Social expenses and other payments to employees	(15 460)	(11 940)
Expenses on social objects maintenance	(17 388)	(8 020)
Losses of the previous years	(19 078)	(50 122)
Change in provision for impairment of goods	(22 025)	26 144
Bank commissions	(33 195)	(101 173)
Warranties	(55 984)	(9 898)
Income from sale and other disposal of tangible assets	(72 151)	(49 654)
Other income / (expenses)	(8 265)	(12 878)
Total other operating income	**22 690**	**(6 815)**

26. Net finance expenses

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Interest income	123 618	103 991
Amortization of financial assets	27 977	28 753
Finance lease costs	-	(1 991)
Interest expense	(218 388)	(604 676)
Net foreign exchange loss	(570 293)	(20 570)
Total net financial expenses	**(637 086)**	**(494 493)**

27. Income tax

The parent company and its subsidiaries separately submit tax returns and pay taxes.

(a) Income tax expense

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Current income tax expense	(1 364 774)	(1 309 332)
(Income) / Expenses from origination and reversal of temporary differences	366 298	180 135
Total income tax expense	**(998 476)**	**(1 129 197)**

(b) Reconciliation of accounting profit before income tax to income tax expense

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Profit before income tax	4 931 231	4 907 052
Theoretical tax charge at the applicable statutory rate on reporting date (20%)	(986 246)	(981 411)
Adjustments for items of income and expenses which are not assessable or deductible for taxation purposes	(12 230)	(147 786)
Total income tax expense	**(998 476)**	**(1 129 197)**

28. Related-party transactions

There were benefits to key management personnel imposed at a rate of 13%.

'RR'000	12 months ended December 31, 2011	12 months ended December 31, 2010
Key management personnel	92 516	100 967

As at reporting date the Group had the following balances resulting from operations with related parties:

'RR'000	Associated companies		Jointly controlled entities	
	As at December 31, 2011	As at December 31, 2010	As at December 31, 2011	As at December 31, 2010
Long-term loans given				
Loans given (principal amount)	-	-	508 108	497 200
Short-term loans given				
Loans given (principal amount)	-	-	9 145	33 147
Loans given (interest)	-	-	4 382	3 261
Short-term accounts receivable and prepayments				
Trade accounts receivable	24 830	33 597	175 453	171 332
Accounts receivable in form of promissory notes	-	-	221 109	216 296
Prepayments to suppliers on principal activities	2 183 585	1 255 902	54 769	280 971
Other receivables	2	2	767 160	453 192
Short-term loans and borrowings				
Corporate borrowings (principal amount)	-	-	4 400	4 850
Corporate borrowings (interest accrued)	-	-	57	52
Short-term accounts payable				
Advances received	-	-	68 667	5 094
Trade accounts payable	211 776	188 369	598 916	660 023
Other accounts payable	-	-	38 139	13 922

In the reporting period the Group performed transactions with related parties as following:

'RR'000	Associated companies		Jointly controlled entities	
	12 months ended December 31, 2011	12 months ended December 31, 2010	12 months ended December 31, 2011	12 months ended December 31, 2010
Revenue	252 596	194 493	553 272	444 389
Cost of sales	(146 523)	(63 944)	(92 660)	(308 887)
Selling expenses	-	-	(34 135)	(51 939)
General and administrative expenses	(599)	(15 263)	(331 231)	(276 055)
Other income	1 625	147	213 787	118 119
Other expenses	(5 348)	(16 052)	(20 117)	(12 065)

29. Financial risk management

The Group's principal financial liabilities include bank loans and borrowings and trade payables. The major purpose of these liabilities is to raise finance for the Group's operations. The Group's principal financial assets, such as cash, short-term investments and trade receivables arise directly from the operations.

The Group's activities expose it to credit risk, liquidity risk, foreign currency risk and interest rate risk. The risk management policies employed by the Group to manage these risks are discussed below.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets at the financial statement date. The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position.

Credit risk is monitored on continuous basis and reflected in accounting for bad and doubtful debts provision. Though the repayment of accounts receivable depends on various economic factors, the management of the Group considers bad and doubtful debt provision is adequate for compensation of prospective losses resulting from doubtful debts repayment failure.

The Group generally does not require collateral in respect of its financial assets. Investments are allowed only in liquid securities and only with counter-parties that have a credit rating equal to or better than the Group. Given their high credit ratings, the management does not expect any counter-party to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of financial assets and liabilities does not match. An unmatched position could potentially enhance profitability but could also lead to losses. The Group manages its exposure to liquidity risk to minimize risks of losses by maintaining certain level of cash and other highly liquid assets and ensuring of timely access to facilities.

The table below summarizes the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted payments.

December 31, 2011 'RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	1 956 025	8 488 260	-	10 444 285
Trade and other payables	2 856 898	-	-	2 856 898
Total	**4 812 923**	**8 488 260**	**-**	**13 301 183**

December 31, 2010 'RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	1 405 084	7 844 529	-	9 249 613
Trade and other payables	2 898 134	-	-	2 898 134
Total	**4 303 218**	**7 844 529**	**-**	**12 147 747**

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is different from functional currency.

The Group's exposure to foreign exchange risk primarily relates to United States dollar and euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and corrects the Group's exposure accordingly. In light of weakening of Russian rouble against US dollar and euro the Group repurchases part of its debt instruments nominated in US dollars and euro.

At December 31, 2011, if the Russian rouble weakened against US dollar and euro by 15% with all other variables held constant, the Group's profit before taxation would reduce at RR'000 962 499 (2010: RR'000 400 026), mainly due to foreign exchange differences arising on loans, borrowings and investments nominated in foreign currency.

The major portion of costs and investments of the Group is nominated in Russian roubles and therefore not exposed to foreign currency risk. The Group does not export its production. Import of equipment and fixtures is relatively insignificant being compared to the total purchases. The Group determines prices for its production in standard units which correlate to US dollar/Rouble exchange rate. The exchange rate has a fixed lower limit to secure the Group against abrupt reduction in the exchange rate of US dollar.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group monitors the movements in interest rates on a continuous basis and ensures that its exposure to changes in interest rates is minimized by borrowing and lending at fixed interest rates. As a result the Group's exposure to interest rate risk is reduced to minimum.

Capital risk management

The Group's objectives when managing its capital are to safeguard the Group's ability to continue as a going concern while maximizing the return to stakeholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's management reviews the capital structure on a ongoing basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital on the basis of gearing ratio which is calculated as net debt divided by the sum of total equity capital and net debt.

30. Industry risk management

The Group is a member of the holding Closed Joint Stock Company "Management Company of Etalon-LenSpetsSMU Holding Company"(hereinafter – Holding "Etalon-LenSpetsSMU") and operates in St. Petersburg real estate market. The core business of the Group is rendering construction services, which include implementing all stages of the investment and construction process. Industry risks of the Group include the following:

- The risk of reduction of demand in the real estate market. The Group is engaged in real estate development and manages its investment and construction projects in the real estate market of St. Petersburg. As a result of the global economic crisis the demand for both commercial and living premises in St. Petersburg has been continuously falling. To minimize the risk the Group monitors the changes in both the current structure of the demand and its forecasts in the real estate market in order to reflect the changes in its plans to construct new objects and enhance its advertisement activities. The decrease in purchase demand is to some extent compensated by obtaining loans and borrowings denominated in Russian roubles and optimization of both production and finance activities;
- The risk of reduction in market prices for real estate. The risk of reduction in prices may negatively impact the profitability of the Group's core business. To minimize the existing risk the Group attempts to compensate the negative effects to profit by reducing its costs, increase in volumes of production and establishing a whole production cycle being performed within Construction Holding "Etalon LenSpesSMU";
- The risk of change in purchase prices for construction materials used by the Group in its activities. The Group is a part of Construction Holding "Etalon LenSpetsSMU" which produces construction materials (brick earth mining with subsequent brick production, concrete production, etc.). Performance of effectively the

whole production cycle by its own production facilities allows the Group to avoid both abrupt change in purchase prices and lack of supply in construction materials.

31. Contingencies

Taxation

The taxation system in the Russian Federation is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Russia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, as the relevant authorities may have different interpretations, the Group management recognizes existence of the risk which may significantly impact the consolidated financial statements.

Guarantees of liabilities issued

As at December 31, 2011 the Group's companies issued guarantees amounting to 'RR'000 193 492 (2010 – 'RR'000 501 616).

32. Events subsequent to the financial statement date

On February 02, 2012 the results of CJSC 'SSMO LenSpecSMU shares issue (additional emission) in amount of 'RR'000 2 100 000 was registered by state authorities (FSFM).

On February 9, 2012 the Group paid USD'000 3 656 interest on loan borrowed from North Star SA.

On February 24, 2012 the Group paid 7-th coupon of CJSC 'SSMO LenSpecSMU' bonds BO-02 series (4B02-02-17664-J dated 12.04.2010) in amount 'RR'000 54 220.

On February 29, 2012 the Group additionally borrowed from OJSC 'Alfa-Bank' Euro'000 10 559 and therefore increased its total amount borrowed to Euro'000 33 604.

On March 12, 2012 the Group paid 9-th coupon of CJSC 'SSMO LenSpecSMU' bonds series 01 (4-01-17664-J dated 12.11.2009) in amount of 'RR'000 31 560.

On March 26, 2012 the Group acquired 57,69% of share capital of LLC "UM Etalon".