

original in the Russian language

Companies group “LenSpecSMU”

Consolidated 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 the companies group "LenSpecSMU"

We have audited the attached consolidated balance sheet of "LenSpecSMU" company and its affiliates (hereinafter – "Companies Group") as at 31 of December, 2003 as well as the related consolidated statements of income, changes in shareholders' equity and cash flows for the accounting year then ended. These consolidated financial statements are responsibility of the Companies Group Management. Our responsibility is to express our opinion on this consolidated financial statements basing on the audit conducted.

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

In our opinion, the above mentioned consolidated financial statements, in all material aspects, regarding 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 qualifications 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 1 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.

Horwath ICLC
29 of April, 2006



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Companies group "LenSpecSMU"

Consolidated financial statements

CONSOLIDATED 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	92 255	77 223
Available-for-sale financial investments (AFS) (short-term)	5	2 500	32 152
Loans given	5	4 124	14 373
Account receivables (short-term)	6	317 461	359 554
VAT for values purchased	6	125 981	58 208
Inventories <i>(including work in process)</i>	7	169 390	3 968 796 3 774 249
Other current assets	8	2 974	23 281
Total, current assets		714 685	4 533 587
Account receivables (long-term)	6	3 311	22
Property, plant and equipment, construction in progress objects and intangible assets <i>(including Property, plant and equipment and construction in progress objects intangible assets)</i>	9	2 482 868	372 392 371 857 535
Property for lease	9		67 060
Long-term investments	10	41 368	204
Investments into associated companies	2		3 441
Available-for-sale financial assets (AFS) (long-term)	10	4 630	195 575
Loans and credits provided	10	8 832	18 649
Deferred tax assets	12	0	36 236
Total, non-current assets		2 541 009	693 579
Total, assets		3 255 694	5 227 166
Short-term liabilities	11	299 154	766 089
Deferred income	11		2 909 798
Other short-term liabilities		106 557	
Total, short-term liabilities		405 711	3 675 887
Long-term credits and loans	13	3 004	213 618
Long-term liabilities for purpose financing	11	2 778 700	1 197 993
Deferred tax liabilities	12	0	2 017
Total, long-term liabilities		2 781 704	1 413 628
Total, liabilities		3 187 415	5 089 515
Minority interest		0	2 745
Share capital, total		200	200
Share premium	14	72 373	72 373
Retained earning	15-17	(4 294)	15 622
Revaluation reserve	9	0	46 711
Total, equity		68 279	134 906
Total, liabilities and equity		3 255 694	5 227 166

Signed by the Board of Directors of the Company

General director

Chief accountant

16 of March, 2006 r.

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



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Companies group "LenSpecSMU"

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CONSOLIDATED PROFITS AND LOSSES ACCOUNT

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

	Notes	2002 (not audited)	2003
Sales proceeds	14	1 191 319	1 964 887
Cost of sales	15	(1 183 161)	(1 877 534)
Gross profit		8 158	87 353
Selling expenses	16	(7 211)	(79 400)
General and administration expenses	16	0	(32 818)
Taxes, other than profits tax		0	(13 333)
Other operational profits/losses (balance)	17	18 226	37 314
Operational profit		19 173	(884)
Share in the results of activity of associated companies			3 374
Interest receivable		687	6 007
Interest payable		0	(3 942)
Adjusting difference		0	1 493
Profit before profits tax, minority interest and extraordinary profits/expenses (EBT)		19 860	6 048
Profits tax	13	(12 623)	16 613
Profit before minority interest and extraordinary profits/losses		7 237	22 661
Minority interest		(59)	(2 745)
Net profit		7 178	19 916

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

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Companies group "LenSpecSMU"

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CONSOLIDATED FINANCIAL STATEMENTS ON CHANGES IN THE EQUITY CAPITAL As at 2003 and 2002 years of reporting ended on 31 of December

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

	Balance on 31.12.2002 (not audited)	Flow	Balance on 31.12.2003
Share capital	200		200
Share premium	72 373		72 373
Past years profits (losses)	(4 294)		(4 294)
Unappropriated profits (loss) of the accounting year	0	19 916	19 916
Capital surplus	0	46 711	46 711
Equity, total	68 279	66 627	134 906

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2003
Cash flows from operating activities	420 053
Income before income taxes and minority interest	6 048
Net profit adjustments	66 480
Account receivables adjustment	-379 225
Inventories adjustment	-3 988 660
Net growth for equipment purchased for leasing	-87 448
Other assets adjustment	-3 417
Liabilities adjustment	4 791 222
Other liabilities adjustment	15 053
Net cash flows from operating activities	
Drawing up	
Credits and loans repayment	
Assets received from shares allocation (shares sale)	
Dividend paid to shareholders	
Net cash flows from investment activity	-438 326
Intangible assets, fixed assets purchase and investments into construction in progress	-407 645
Long-term investments purchase	-236 398
Receipt of investment credits and loans	215 974
Repayment of investment credits and loans	6 856
Loans provision	-23 274
Return of loans	3 211
Interest received	2 915
Income received from participation in other organizations	35
Currency exchange rate change influence on cash and cash equivalents	-731
Net change of cash and cash equivalents	-19 004
Cash and cash equivalents at the beginning of the period	96 228
Cash and cash equivalents at the end of the period	77 223

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 of December, 2003**

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

1. Principal activities

One of the largest building and industrial holdings of Saint-Petersburg – LenSpecSMU – was founded in 1987 as a little private building company. The Holding specializes in mass house building under brick and monolith technology in the field of higher comfort and business-class housing.

At present the share of the building market falling on the objects erected by the holding "LenSpecSMU" constitutes around 10% of the whole building market of Saint-Petersburg. In 2003 the Group constructed building of total area 168 146 sq. m.

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

The parent company – Closed joint stock company Specialized Building and Assembly Association "LenSpecSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of the Articles of Association was registered by the Resolution of the Registration chamber of Saint-Petersburg dated 25.06.2002.

The Closed joint stock company Specialized Building and Assembly Association "LenSpecSMU" as well as its subsidiaries included into the companies group "LenSpecSMU" have the following licenses:

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

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

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

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

Average list number of Company's employees in 2003 constituted 1274 persons.

2. Basis of preparation

General

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

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

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Companies group "LenSpecSMU"

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As at 31 of December, 2003

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

2. Basis of preparation (sequel)

General principles (sequel)

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

Consolidated subsidiaries

The consolidated financial statements include the following companies:

	Share	Total, assets	Equity capital	Net profit (loss) of the accounting year
CJSC "SPb MFTC"	61%	1 856 869	6 498	6 207
OJSC "SMU "Electronstroy"	88%	15 870	1 152	46
CJSC "AKTIV"	100%	288 546	252 573	(6 862)
CJSC "YurStroy"	50,05%	308	265	(8)
Amounts excluded at consolidation		(304 267)	(2 422)	(2 422)
TOTAL		1 857 326	258 066	(3 039)

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

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NOTES TO CONSOLIDATED 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)

Associated companies accounted basing on equity method principle

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

	Participation share of the company	Share in net profits
CJSC "CUN"	40%	1 116
CJSC "LenSpecSMU-Reconstruction"	25%	613
CJSC "Building materials factory "Etalon"	25%	1 712
CJSC "ART-LS"	25%	0
Total		3 441

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

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

Due to the fact that the income balance of this financial statements (i.e. of the reporting as at 31.12.2004) was not prepared in accordance with the requirements of IFRS 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 ISA 29. Starting from 2003 and during the following years the Company will not apply ISA 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 CONSOLIDATED 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 of income. Cash and cash equivalents include cash on hand, assets in crediting organizations and highly liquid investments with maturity date up to ninety days from the date of occurrence not charged with any agreed liabilities.

Principal activities account receivables

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

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

Taxes to be returned

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

Inventories

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

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

The reserves are evaluated by the lower of two figures – cost value and possible net sale price.

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

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

Short-term investments

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

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

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

Fixed assets

Fixed assets are accounted by purchasing value considering inflation less accumulated depreciation and devaluation reserve.

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

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

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

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

Obligations, liabilities, deferred income

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 of December, 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 capital surplus account.

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 IFRS 10 "Events after the date of report" and are disclosed accordingly.

Incidental expenses

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

Recognition of profits/expenses related with the principal activities

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

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

Out-of-sale profits and expenses

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

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NOTES TO CONSOLIDATED 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	28 536
Cash	1 293
Current and settlement accounts	27 243
Cash equivalents	48 687
Deposit certificates	44 829
Bills of exchange	1 645
Others	2 213
TOTAL	77 223

5. Financial assets (short-term)

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

	2003
Available-for-sale financial assets (AFS) (short-term)	32 152
Other bills of exchange (except for bills of exchange of banks)	26 352
Deposits (deposit certificates)	5 800
Loans and credits provided	14 373
Loans provided to legal entities	14 373
TOTAL	46 525

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.

Loans provided to legal entities are loan issued by CJSC "SPb MFIC" to "Leasing-Telecom" company for the purposes of realization of investment project for installation of telephones at the object "Morskoy fasad".

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

6. Account receivables, VAT and taxes payable

As at 31 of December, 2003 account receivables of the Company consists of the following items:

Account receivables (short-term)	359 554
Account receivables for the principal activities	64 485
Account receivables for the principal activities	64 440
Account receivables accompanied by bills of exchange	45
Advances paid	61 268
Advances to suppliers for the principal activities	22 254
Advances for purchase of equipment and capital construction	39 014
Other account receivables and up-front money	240 225
Created account receivables reserve (-)	-6 424
Account receivables (long-term)	22
TOTAL	359 576

Account receivables have the following structure:

- Account receivables under investment agreements – 64 485 thousand rubles,
- Account receivables under other agreements – 301 493 thousand rubles.

Account receivables under other agreements includes advances provided for the amount of 61 268 thousand rubles and other account receivables.

Other account receivables for the amount of 240 225 thousand rubles includes settlements under rent agreements, settlements for shares in GBC and other settlements.

VAT and taxes payable:

VAT	32 123
Returning taxes (other than VAT)	26 085
VAT and returning taxes	58 208

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NOTES TO CONSOLIDATED 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	54 446
Main (under nomenclature)	29 504
Other	24 942
<i>Fuel</i>	897
<i>Gas</i>	30
<i>Gasoline</i>	181
<i>Diesel fuel</i>	664
<i>Other fuel</i>	22
<i>Tare and tare materials</i>	55
<i>Spare parts</i>	2 696
<i>Others</i>	20 397
Goods in process	3 774 249
Finished production and goods for re-sale reserves	140 101
Main (under nomenclature) (at warehouse and loaded)	140 101
TOTAL	3 968 796

Goods in process include flats in progress, infrastructure objects and objects of production purpose. The largest objects are for the total amount of **3 774 249** thousand rubles:

Objects	Customer-builder		TOTAL
	LenSpecSMU	MFTC	
Morskoy fasad		1 079 329	1 079 329
Morskoy kaskad		406 429	406 429
Lanskoy block	728 857		728 857
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	654 531	37 337	691 868
Novaya Grazhdanka	314 170		314 170
Dolgoozernaya st., flat 27A	110 200		110 200
V. O. Birzhevoy passage, 12	150 871		150 871
House near Chernaya rechka	91 367		91 367
House on Serebrystiy	83 384		83 384
House in Ozerki	23 478		23 478
Tkachey Street, 5	15 460		15 460
Infrastructure objects	60 404		60 404
Others	18 432		18 432
TOTAL	2 250 482	1 523 095	3 774 249

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

The construction in progress by expenses items is shown below:

Depreciation of FA	808
Share holding in building	429 167
Land lease and other lease	19 518
Investment deposit	29 561
VAT for capital investments at objects of building	602 693
Equipment and materials	45 670
Reserve of impending payments for transferred works	154 181
Project and research works	64 336
BAW (building and assembly works)	2 191 988
General utilities expenses (26 account)	113 735
Co-ordinations, conclusions, research	22 931
Credit usage interest	4 417
Expenses not increasing object's value	39 158
Others	56 085
TOTAL	3 774 249

Flats redeemed for further re-sale (in particular – at the secondary market) are included into the structure of finished production and goods for sale reserves.

8. Other current assets

Other current assets	3 417
Deferred expenses	19 864
TOTAL Other current assets	23 281

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As at 31 of December, 2003

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

9. Fixed assets and capital construction in progress objects

Fixed assets flows during 2003 is as follows:

	Total	Buildings and constructions	Machines and equipment	Other FA	Construction in progress
Depreciated cost for 31 of December, 2002	2 542 725	93 348	133 836	33 333	2 282 208
Total, debit	4 553 146	152 755	287 329	40 533	4 072 529
Putting into operation (takings to the accounts of fixed assets accounting)	182 441	18 992	150 177	13 272	
Building using economical method	3 540 785			0	3 540 785
Assets purchase	332 399	31 701		0	300 698
Bank interest amount	3 315			0	3 315
Other debit circulations	494 206	102 062	137 152	27 261	227 731
Total, credit	6 653 255	62 727	377 988	35 277	6 177 263
Sold (passed over free of charge)	108 982	18 180	88 596	1 218	988
Putting into operation (retirement from the accounts of accounting of construction in progress)	226 503			0	226 503
Transfer into other assets structure (investments, reserves, etc.)	2 032 990			0	2 032 990
Liquidation, writing-off	60 781	905	56 786	3 090	
Other credit circulations	4 223 999	43 642	232 606	30 969	3 916 782
Depreciated cost for 31 of December, 2003	442 616	183 376	43 177	38 589	177 474
Accumulated depreciation as at 31 of December, 2003	60 946	4 129	45 506	11 311	0
Total, credit	74 054	33 489	34 709	5 856	
Accrual depreciation	74 053	33 489	34 709	5 855	
Other credit circulations	1			1	
Total, debit	64 241	1 524	60 074	2 643	
Accumulated depreciation for sold (passed over free of charge) assets	33 097	1 189	31 320	588	
Accumulated depreciation of liquidated (written-off) assets, etc.	31 144	335	28 754	2 055	
Accumulated depreciation as at 31 of December, 2003	70 759	36 094	20 141	14 524	0
Depreciated cost for 31 of December, 2003	371 857	147 282	23 036	24 065	177 474

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Companies group "LenSpecSMU"

Notes to consolidated financial statements

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

Depreciated cost of fixed assets of the Company constitutes **371 857** thousand rubles.

In 2003 LenSpecSMU contributed to the authorized capital of CJSC "AKTIV", having invested into the Company fixed assets (buildings, constructions, machines and equipment) which depreciated cost at the moment of transfer constituted 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 134 678 thousand rubles.

Thus, fixed assets of CJSC "AKTIV" constituting for 98% of office premises have been taken for accounting at average price of 500\$ per sq. meter which constitutes in 2003 in Saint-Petersburg average market value of one sq. meter of office premises in similar city districts.

At performing consolidation the profits received by CJSC SSMO "LenSpecSMU" from transfer of FA to the authorized capital of CJSC "AKTIV" in the amount of 46 711 thousand rubles was re-classified from the structure of profits and losses report to the structure of the consolidated capital surplus.

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

The amount of re-classification constituted 3 772 547 thousand rubles.

In the structure of fixed assets was included property (decking) used by LenSpecSMU on leasing conditions for total amount of 30 227 thousand rubles.

Intangible assets as at 31 of December, 2003 constitute **535** thousand rubles and include licenses for performance of different building works.

Property for leasing is property which CJSC "AKTIV" leases to CJSC SSMO "LenSpecSMU" as well as to CJSC "LenSpecSMU-Reconstruction" and CJSC "CUN" for works performance, including:

	Depreciated cost at 31 of December, 2003
Machines and equipment	61 909
Devices and installations	5 151
TOTAL	67 060

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10. Financial assets (long-term)

As at 31 of December, 2003 financial assets are recognized by financial investments available for sale as well as loans provided:

Long-term investments	204
Financial investments available for sale (AFS) (long-term)	195 575
Loans and credits provided to legal entities	18 649
TOTAL LONG-TERM FINANCIAL INVESTMENTS	214 428

The most substantial other long-term available-for-sale financial assets are investments of LenSpecSMU into garage building cooperatives and investments into different companies including:

Names of objects	thousand rubles
SGBC «Garazh na Lanskom»	119 288
SGBC «Morskoy fasad»	40 116
SGBC «Garazh na Baikonurskoi»	14 560
Share in UC "Lengatur"	16 399
Others	5 212
Total	195 575

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11. Liabilities

Short-term liabilities	3 675 887
Liabilities under settlements with suppliers and contractors	482 678
Received advances	239 267
Other short-term liabilities	28 568
Short-term indebtedness for taxes payable	15 576
Deferred income	2 909 798
Long-term liabilities	1 197 993
Long-term liabilities under purpose financing	1 197 993
TOTAL	4 870 378

Short-term liabilities in the amount of 482 678 includes settlements with suppliers and contractors for raw stuff, materials, services of building nature.

Received advances in the amount of 239 627 thousand rubles are up-front money received by the Holding from flats purchasers under sales and purchase agreements.

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

Indebtedness under settlements with personnel and accompanying liabilities	12 036
Other liabilities	16 532
TOTAL OTHER LIABILITIES	28 568

Short-term indebtedness for taxes payable has the following structure:

Short-term indebtedness for taxes payable	15 576
VAT	7 037
VAT for loaded but not paid up production	1 491
Profits tax	155
Property tax	2 196
Advertisement tax	873
IIT (individuals income tax)	1 540
Fees and fines	457
Common social tax	1 618
Other taxes	209

Assets received by the Holding from share holders under share holding agreements (SHA) as at 31 of December, 2003 constitute 4 107 791 thousand rubles.

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

As building and assembly works are performed, commissioned by customer-builder (Holding) under performed works acts, assets received from share holders are attributed to deferred income:

Deferred income	2 909 798
Long-term liabilities under purpose financing	1 197 993
TOTAL assets of share holders under share holding agreements	4 107 791

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

Objects names

Dolgoozernaya (Dolgoye lake, 27A, building 34)	180 030
House in Ozerki 2 turn	22 638
House on Serebristiy	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)	1 055 700
Novaya Grazhdanka (Vavilova st / Nauki st)	460 293
Tkachey st., 5	32 214
Others	5 881
TOTAL	4 107 791

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12. Taxation

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

Current profits tax	(17 605)
Deferred profits tax	34 218
TOTAL profits tax	16 613

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

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

	2003
Deferred tax assets	36 236
Financial investments	395
Account receivables less questionable debts reserve	1 560
Reserves	8 105
Deferred expenses	6 330
Fixed assets and construction in progress	2 297
Intangible assets	95
Others	17 454
Deferred tax liabilities	2 017
Cash and cash equivalents	395
Account receivables less questionable debts reserve	19
Fixed assets and construction in progress	40
Liabilities	529
Others	1 035
Total, deferred liabilities	34 218

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13. Credits and loans

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

	Received credits, total	Investment	Overdrafts
Balance at the beginning of the period (main debt)	3 004	3 004	0
Received (main debt)	215 974	215 974	
Adjustment (main debt)	1 496	1 496	
Returned (main debt)	6 856	6 856	
Balance at the end of the period (main debt)	213 618	213 618	
Attributed to expenses (interest)	4 402	1 962	2 440
Capitalized (interest)	3 315	3 315	
Adjustment (interest)	580	314	266
Paid up (interest)	8 297	5 591	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	213 618	213 068	
Amount at the end of the period, rubles	1 546	1 546	
Amount at the end of the period, US dollars	212 072	212 072	
Total, indebtedness payable (main debt) at the end of period	213 618	213 618	
Indebtedness payable within 2 years after the date of report	1 546	1 546	
Indebtedness payable within 3 years after the date of report	212 072	212 072	
Securing credit with mortgaged fixed assets and goods and material values	248 846	194 846	54 000
Amount of mortgaged fixed assets	248 846	194 846	54 000
Building and constructions	194 846	194 846	
Capital investments	54 000		54 000

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

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14. Income

	2003
Materials (brick, metal roll, concrete and r/concrete items, utilities, etc.)	87 566
Commissioning of objects of building	1 477 376
Flats of the secondary market	13 044
Own flats	59 263
Built-in premises	18 811
Concrete production	134 135
Rent	91 064
Car transportation services provision	21 803
BAW and other services	47 182
Other production, goods	14 643
TOTAL proceeds from sales	1 964 887

15. Cost value of sold production

	2003
Material expenses	1 563 668
Materials (brick, metal roll, concrete and r/concrete items, utilities, etc.)	174 651
Commissioning of objects of building	1 328 814
Own flats	1 362
Rent	731
Other kinds (works, services) sales	5 620
Other material expenses	52 490
Energy (electric and heat)	1 409
Water	21
Wages and other payments to the staff personnel	105 373
Depreciation	33 523
Taxes	59
Other expenses	282 788
Transportation services	15 999
Advisory, legal, audit and other professional services	10
Documents registration	169
Repair and maintenance	29 032
Personnel expenses (staff recruitment expenses, insuring personnel, training personnel, food)	33
Office and computer hardware maintenance	149
Office and poligraphy expenses	13
Operational expenses	406
Others	236 977
Goods for re-sale written off to cost value	47 475
Adjustment of inner cost value	-156 782
TOTAL cost value of sold production:	1 877 534

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

Building objects commissioning, including.	1 328 814
Building and assembly works	784 000
VAT for capital investments at the objects	186 034
Building materials	132 881
General production expenses	79 729
Energy expenses	26 576
Auxiliary production expenses	19 932
Car transportation services	26 576
Others	73 086

16. Selling and administrative expenses

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

Selling expenses	(79 400)
Advertisement and agency services	(79 400)
General and administrative expenses	(32 818)
Wages and other payments to the staff personnel	(11 885)
Amortization	(964)
Office and poligraphy expenses	(28)
Advisory, legal, audit and other professional services	(52)
Others	(19 889)

17. Other operational income and expenses

	2003
Income/expenses from assets sales	(22 679)
From sales of fixed assets and objects of construction in progress	(22 679)
From sales of inventory	0
Reserves recovery/creation	(6 427)
Questionable debts reserves	(6 427)
Reserves for devaluation of reserves	0
Income from participation in other organizations	35
Services of social nature	(3 360)
Expenses for social field support	(449)
Fees, fines, forfeits	(459)
Liquidation and writing-off assets related expenses	(4 256)
Fixed assets and objects of construction in progress liquidation and writing-off related expenses	(4 256)
Income/expenses from re-valuating of foreign currency	(2 224)
Others	77 133
Total, operational income/expenses	37 314

Other operational expenses for the amount of 77 133 thousand rubles include other income under share holding agreements and recovery of selling expenses (advertisement, agency services expenses) earlier written-off under IFRS and repeated under RAS:

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18. Related party transactions

Considerable operations with concerned parties during 2004 were not performed.

29 . Events after the date of report

Considerable events after the date of report did not occur.