Original in Russian language

Group of companies “LenSpetsSMU”

Interim consolidated financial statements prepared under IFRS

for 6 months ended June 30, 2012

Contents

	Notes	As at June, 30 2012 RR'000	As at December 31, 2011 '000 RR
ASSETS			
Non-current assets			
Fixed assets	5	1 395 973	503 545
Investment property	6	241 974	217 891
Intangible assets	7	2 541	2 439
Investments in associates	8	2 059 490	1 975 368
Long-term financial investments	9	30 924	548 127
Deferred tax assets	10	105 559	164 598
		3 836 461	**3 411 968**
Current assets			
Inventories	11	20 620 003	21 866 750
Short-term investments	12	5 323 299	4 168 977
Accounts receivable and advances	13	10 746 478	7 875 349
Income tax receivable		167 225	5 733
Other current assets	14	17 396	23 721
Cash and cash equivalents	15	4 147 898	3 321 402
		41 022 299	**37 261 932**
Total assets		**44 858 760**	**40 673 900**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	2 101 237	2 101 237
Retained earnings		16 358 392	13 954 906
		18 459 629	16 056 143
Non-controlling interests		1 394 075	1 236 198
Total equity		**19 853 704**	**17 292 341**
Non-current liabilities			
Long-term borrowings	17	7 615 034	8 452 466
Accounts payable and other liabilities	19	334	-
Deferred tax liabilities	10	193 612	98 108
		7 808 980	**8 550 574**
Current liabilities			
Short-term borrowings	17	2 586 997	1 938 490
Advances received on principal activity	18	10 420 463	9 572 336
Accounts payable and other liabilities	19	4 187 869	3 290 977
Income tax payable		747	29 182
		17 196 076	**14 830 985**
Total equity and liabilities		**44 858 760**	**40 673 900**

The interim consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–27.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

October, 08 2012

	Notes	6 months ended June 30, 2012 '000 RR	6 months ended June 30, 2011 '000 RR
Revenue	20	10 788 493	7 080 786
Cost of sales	21	(6 817 462)	(3 990 118)
Gross profit		**3 971 031**	**3 090 668**
Selling expenses	23	(123 409)	(91 913)
General and administrative expenses	24	(728 154)	(567 956)
Taxes, other than income tax		(84 688)	(61 223)
Other operating expenses (net)	25	(12 729)	(85 295)
Operating profit		**3 022 051**	**2 284 281**
Share in profit of associates		84 122	8 261
Net finance income	26	55 155	110 829
Profit before income tax		**3 161 328**	**2 403 371**
Income tax	27	(641 801)	(481 634)
Net profit for the year*		**2 519 527**	**1 921 737**
Attributable to:			
Equity holders of the parent		**2 403 486**	**1 863 274**
Non-controlling interests		**116 041**	**58 463**
Basic and diluted earnings per share		**0.23**	**1 863.27**

*- No Other comprehensive income was recognized by the Group during either 6 months of 2012 or 2011.

The interim consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–27.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

October, 08 2012

Original in Russian language

	6 months ended June 30, 2012 '000 RR	6 months ended June 30, 2011 '000 RR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	3 161 328	2 403 371
Adjustments for:	**(77 069)**	**(122 981)**
Depreciation and amortization	*80 117*	*96 177*
Profit from sale of financial assets	*(20 642)*	*(18 347)*
Provision for impairment of inventories	*1 854*	*1 823*
Provision for bad debts	*(2 743)*	*(57 470)*
Provision for ongoing court litigations	*8 109*	*(750)*
Provision for impairment of investments	-	*(71)*
Foreign exchange loss/ (gain)	*117 685*	*(190 486)*
Interest expense	*61 357*	*151 225*
Interest income	*(235 099)*	*(57 814)*
Changes in amortized cost of financial assets	*902*	*(13 754)*
Share in profit of associates	*(84 122)*	*(8 261)*
Profit from disposal of non-current assets	*(4 487)*	*(23 266)*
Other income and expenses	-	(1 987)
Operating profit before changes in working capital	**3 084 259**	**2 280 390**
(Increase) in trade accounts receivables and advances	(2 936 133)	(432 174)
(Increase) / decrease in inventories	1 558 447	(547 546)
Increase/ (decrease) in trade payables and advances received	1 455 732	(792 814)
(Increase) in other assets and liabilities	6 325	(107)
Cash (used in)/ generated from operations	**3 168 630**	**507 749**
Income taxes paid	(676 612)	(1 314 655)
Net cash (used in)/ from operating activities	**2 492 018**	**(806 906)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(224 721)	(89 237)
Proceeds from sale of fixed and intangible assets	7 607	68 127
(Purchase)/sale of securities and other financial assets	174 234	1 114 364
Acquisition of bank deposits	(1 025 000)	(1 315 954)
Disbursement of loans	(203 000)	(34 590)
Repayments of loans	214 641	148 932
Interest received	215 512	54 897
Net cash used in investing activities	**(840 727)**	**(53 461)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1 255 107	2 302 224
Repayment of borrowings	(1 564 805)	(1 883 351)
Interest paid	(529 432)	(519 569)
Net cash flows from (used in) financing activities	**(839 130)**	**(100 696)**
Effect of exchange rate changes on cash and cash equivalents	14 335	(153 832)
Net decrease in cash and cash equivalents	**826 496**	**(1 114 895)**
Cash and cash equivalents at the beginning of the period	**3 321 402**	**2 751 286**
Cash and cash equivalents at the end of the period	**4 147 898**	**1 636 391**

The interim consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–27.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

October, 08 2012

RR'000	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 01, 2011	1 237	10 172 026	10 173 263	1 086 323	11 259 586
Net profit for the period	-	1 863 274	1 863 274	58 463	1 921 737
Balance at June 30, 2011	**1 237**	**12 035 300**	**12 036 537**	**1 144 786**	**13 181 323**
Balance at January 01, 2012	**2 101 237**	**13 954 906**	**16 056 143**	**1 236 198**	**17 292 341**
Acquisition of subsidiary	-	-	-	41 836	41 836
Net profit for the period	-	2 403 486	2 403 486	116 041	2 519 527
Balance at June 30, 2012	**2 101 237**	**16 358 392**	**18 459 629**	**1 394 075**	**19 853 704**

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–27.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

October, 08 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.

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. Recent changes of Charter were registered on 28.03.2012 г.

CJSC SBAA "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", LLC "Upravlenie Mekhanizatsii "Etalon".

Principal associates 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 Closed joint stock company 'Managerial company - Construction holding "Etalon-LenSpetsSMU", registered in the Russian Federation, and an individual, a citizen of the Russian Federation. The parent's head office is located at the following address: Russia, 197348, Saint-Petersburg, Bogatyrskiy prospect, h. 2, lit. A.

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 accompanying interim 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. The impact of such differences on the operations and the financial position of the Group may be significant.

2. Basis of preparation

Historical cost basis

The interim 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 interim 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 of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2012.

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
Numerous amendments to IAS 19 Employee Benefits	beginning on or after 1 January 2013

Management expects that in the future application of these standards and interpretations will have no material financial impact on the financial statements.

(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 other entity, 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.

Consolidation: 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.

Accounting for acquisition of an asset or group of assets that are not businesses
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.

Business combinations and goodwill: 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.

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 interim consolidated financial statements include the following companies:

	Ownership	
	June 30, 2012	December 31, 2011
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%
LLC "Upravlenie Mekhanizatsii "Etalon"	57,39%	0,00%

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	
	June 30, 2012	December 31, 2011
CJSC "LenSpetsSMU-Reconstruction"	25,00%	25,00%
CJSC "Building materials factory "Etalon"	45,00%	45,00%
CJSC "ZATONSKOYE"	49,22%	49,22%
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 interim consolidated financial statements are presented in Russian roubles rounded to the nearest thousand.

(f) Going concern

The interim 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 interim consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

(g) Use of accounting estimates

The preparation of the Group's interim 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 accumulated impairment losses.

(iii) Subsequent expenditure

Other subsequent expenditure related to capitalize intangible assets is capitalized only when it increases the future economic benefits embodied in the item. All other expenditure is recognized in the consolidated statement of comprehensive income 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 identified. For the purposes of interim 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 interim 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, labor 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 share 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 apartments to the respective owners, the Group transfers the amounts to the statement of comprehensive income 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.

(n) 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 June 30, 2012 the official exchange rate was USD 32.8169 roubles, euro 41.323 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 FA	Construction in progress	Total
Cost							
At December 31, 2011	9 188	386 097	570 963	47 230	27 516	2 773	1 043 767
Additions	-	219 612	673 225	10 778	3 440	87 616	994 671
Disposals	-	(12 878)	(5 812)	(2 381)	(1 075)	(4 192)	(26 338)
At June 30, 2012	**9 188**	**592 831**	**1 238 376**	**55 627**	**29 881**	**86 197**	**2 012 100**
Depreciation							
At December 31, 2011	-	(117 180)	(376 013)	(25 380)	(21 649)	-	(540 222)
Depreciation charge for the period	-	(30 787)	(59 707)	(3 276)	(1 513)	-	(95 283)
Depreciation on disposals	-	11 166	5 052	2 268	892	-	19 378
At June 30, 2012	**-**	**(136 801)**	**(430 668)**	**(26 388)**	**(22 270)**	-	**(616 127)**
Net book value							
At December 31, 2011	**9 188**	**268 917**	**194 950**	**21 850**	**5 867**	**2 773**	**503 545**
At June 30, 2012	**9 188**	**456 030**	**807 708**	**29 239**	**7 611**	**86 197**	**1 395 973**
Cost							
At December 31, 2010	9 188	482 133	751 171	42 406	26 334	1 566	1 312 798
Additions	-	246 485	71 367	6 203	743	1 677	326 475
Disposals	-	(242 650)	(44 639)	(4 954)	(280)	-	(292 523)
At June 30, 2011	9 188	485 968	777 899	43 655	26 797	3 243	1 346 750
Depreciation							
At December 31, 2010	-	(130 300)	(432 028)	(24 752)	(18 147)	-	(605 227)
Depreciation charge for the period	-	(18 003)	(69 935)	(6 534)	(1 913)	-	(96 385)
Depreciation on disposals	-	21 475	30 171	7 435	285	-	59 366
At June 30, 2011	-	(126 828)	(471 792)	(23 851)	(19 775)	-	(642 246)
Net book value							
At December 31, 2010	**9 188**	**351 833**	**319 143**	**17 654**	**8 187**	**1 566**	**707 571**
At June 30, 2011	**9 188**	**359 140**	**306 107**	**19 804**	**7 022**	**3 243**	**704 504**

6. Investment property

RR'000	As at June 30, 2012	As at June 30, 2011
Cost		
At the beginning of accounting period	**248 211**	**646 959**
Additions	36 533	85 504
Disposals	(8 117)	(154 137)
At the end of accounting period	**276 627**	**578 326**
Depreciation		
At the beginning of the accounting period	**(30 320)**	**(28 155)**
Depreciation charge for the period	(5 555)	(11 663)
Depreciation on disposals	1 222	4 438
At the end of the accounting period	**(34 653)**	**(35 380)**
Net book value at the beginning of accounting period	**217 891**	**618 804**
Net book value at the end of accounting period	**241 974**	**542 946**

7. Intangible Assets

"RR'000	Software	Trademarks	Other intangible assets	TOTAL
Cost				
At December 31, 2011	3 487	882	37	**4 406**
Additions	377	290	-	667
Disposals	(477)	-	-	(477)
At June 30, 2012	**3 387**	**1 172**	**37**	**4 596**
Amortization				
At December 31,2011	(1 539)	(411)	(17)	(1 967)
Amortization charge for period	(473)	(90)	(2)	(565)
Amortization on disposals	**477**	-	-	**477**
At June 30, 2012	**(1 535)**	**(501)**	**(19)**	**(2 055)**
Net book value				
At December 31, 2011	**1 948**	**471**	**20**	**2 439**
At June 30, 2012	**1 852**	**671**	**18**	**2 541**
Cost				
At December 31, 2010	7 882	623	37	8 542
Additions	658	259	-	917
Disposals	(4 958)	-	-	(4 958)
At June 30, 2011	**3 582**	**882**	**37**	**4 501**
Amortisation				
At December 31,2010	(6 204)	(291)	(11)	(6 506)
Amortisation charge for period	(430)	(40)	(3)	(473)
Amortisation on disposals	4 959	-	-	4 959
At June 30, 2011	**(1 675)**	**(331)**	**(14)**	**(2 020)**
Net book value				
At December 31, 2010	**1 678**	**332**	**26**	**2 036**
At June 30, 2011	**1 907**	**551**	**23**	**2 481**

8. Investments in Associates

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

RR'000	As at June 30, 2012	6 months ended June 30, 2012				As at December 31, 2011
	Investment in associated companies	Acquisition	Share of net profit	Impairment of investments	Dividends received	Investment in associated companies
CJSC "LenSpetsSMU-Reconstruction"	35 928	-	3 277	-	-	32 651
CJSC "Building materials factory "Etalon"	70 008	-	4 430	-	-	65 578
CJSC "ZATONSKOYE"	1 953 554	-	76 415	-	-	1 877 139
CJSC "ART-Business-TV"	-	-	-	-	-	-
Total	**2 059 490**	**-**	**84 122**	**-**	**-**	**1 975 368**

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

RR'000	As at June 30, 2012			As at December 31, 2011		
	Total assets	Total liabilities	Equity	Total assets	Total liabilities	Equity
CJSC "LenSpetsSMU-Reconstruction"	1 496 587	1 352 870	143 717	884 039	753 435	130 604
CJSC "Building materials factory "Etalon"	174 598	19 024	155 574	153 014	7 285	145 729
CJSC "ZATONSKOYE"	9 310 661	8 841 020	469 641	6 929 331	6 614 941	314 390
CJSC "ART-Business-TV"	49 476	51 167	(1 691)	48 889	50 165	(1 276)

RR'000	6 months ended June 30, 2012		6 months ended June 30, 2011	
	Revenue	Net profit / (losses)	Revenue	Net profit / (losses)
CJSC "LenSpetsSMU-Reconstruction"	914 506	13 113	823 590	4 716
CJSC "Building materials factory "Etalon"	103 607	9 845	102 901	15 737
CJSC "ZATONSKOYE"	327 644	155 251	-	(13 965)
CJSC "ART-Business-TV"	-	(415)	-	(237)

9. Long-term financial investments

RR'000	As at June 30, 2012	As at December 31, 2011
Loans given	30 869	548 072
Long-term equity investments	435	435
Impairment provision for financial investments	(380)	(380)
Total Long-term financial investments	**30 924**	**548 127**

Loans given to legal entities are denominated in Russian roubles and are stated at amortized cost. The effective interest rate as at June 30, 2011 was 12.14% and as at December 31, 2011 was 12.25% 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 June 30, 2012
Deferred tax asset at the beginning of the period	164 598
Deferred tax liability at the beginning of the period	(98 108)
Net deferred tax at the beginning of the period	66 490
Tax included in the Statement of comprehensive income (Note 27)	(154 543)

Net deferred tax at the end of the period	(88 053)
Including:	
Deferred tax asset	**105 559**
Deferred tax liability	**(193 612)**

The analysis of deferred tax assets and liabilities:

RR'000	As at June 30, 2012	As at December 31, 2011
Fixed assets and intangible assets	18 190	95 609
Financial assets	72	72
Loans given	407	16 515
Bank and corporate borrowings	13 557	13 648
Inventories	474 401	456 920
Trade accounts receivable	69 537	72 512
Trade accounts payable	1 669 928	1 781 865
Prepaid expenses	2 247	3 725
Provisions	108 860	78 174
Tax losses	90 000	1 251
Other	-	415
Deferred tax asset:	**2 447 199**	**2 520 706**
Set off of tax*	(2 341 640)	(2 356 108)
Net tax assets	**105 559**	**164 598**

RR'000	As at June 30, 2012	As at December 31, 2011
Fixed assets and intangible assets	(65 854)	(572)
Financial assets	(62 080)	(47 233)
Bank and corporate borrowings	(8 410)	(10 867)
Inventories	(4 232)	(7 406)
Trade accounts receivable	(635 291)	(27 297)
Trade accounts payable	(1 685 524)	(2 325 262)
Advances received	(64 119)	(35 578)
Provisions	(5 169)	-
Other current assets	(4 573)	(1)
Deferred tax liability:	**(2 535 252)**	**(2 454 216)**
Set off of tax*	2 341 640	**2 356 108**
Net tax liability	**(193 612)**	**(98 108)**
Net deferred tax at the end of the period	**88 053**	**66 490**

** 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 June 30, 2012	As at December 31, 2011
Construction in progress of apartment building objects	10 376 646	10 197 831
Construction in progress of garage building objects	615 374	537 087
Total construction in progress	**10 992 020**	**10 734 918**
Apartments – finished goods	6 500 796	7 591 051
Built-in premises (non-residential)	2 976 420	3 409 861
Apartments for resale	39 647	44 545
Concrete and reinforced concrete items	6 896	4 989
Food	180	116
Other	862	862

Provision for impairment of goods	(3 952)	(26 980)
Total finished products and goods for re-sale	**9 520 849**	**11 024 444**
Construction materials	83 427	14 728
Auxiliary materials for the basic production	5 479	79 781
Fuel	3 260	6 321
Inventories and utilities	2 258	1 798
Metal-roll (armature, angle bars, metal bars, etc.)	1 911	2 726
Special clothing	824	568
Cement	618	100
Concrete and reinforced concrete items	404	444
Other inventories	9 794	1 764
Provision for impairment of materials	(841)	(842)
Total raw materials	**107 134**	**107 388**
Total inventories	**20 620 003**	**21 866 750**

The construction in progress includes apartments under construction, infrastructure and non-residential property. Items of construction in progress in total amount of 10 992 020 thousand roubles are listed below:

RR'000	As at June 30, 2012			As at December 31, 2011		
	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Yubileinyi Kvartal	2 836 956	216 342	3 053 298	2 102 454	166 852	2 269 306
Orbita	2 408 166	208 120	2 616 286	3 095 028	236 248	3 331 276
Lastochkino Gnezdo	1 300 690	158 247	1 458 937	738 062	7 271	745 333
Samotsvety	971 724	-	971 724	908 813	-	908 813
HC Moscow, Starokrymskaya, 13	700 178	-	700 178	632 398	-	632 398
Molodezhniy	603 624	427	604 051	4 719	-	4 719
Letniy	559 022	5 449	564 471	390 314	283	390 597
Galant	476 766	1 017	477 783	431 388	-	431 388
Dom na Koroleva	150 225	725	150 950	147 263	670	147 933
Tsarskaya Stolica	90 403	-	90 403	89 430	-	89 430
Technopark	9 866	24 957	34 823	7 229	24 957	32 186
Rechnoy	16 861	90	16 951	-	-	-
Moskovskiy	14 739	-	14 739	17 879	-	17 879
Etyud	-	-	-	691 874	56 402	748 276
Prestige	-	-	-	693 853	44 402	738 255
Infrastructure objects	222 412	-	222 412	242 841	-	242 841
Other	15 014	-	15 014	4 286	2	4 288
Total	**10 376 646**	**615 374**	**10 992 020**	**10 197 831**	**537 087**	**10 734 918**

The analysis evidences that as at 30 June 2012, the largest non-completed items were housing complex "Yubileinyi Kvartal" and housing complex "Orbita".

12. Short-term investments

RR'000	As at June 30, 2012	As at December 31, 2011
Bank deposits	3 158 000	2 133 000
Financial assets held-for-trading	2 149 175	1 983 800
Loans given to legal entities	16 124	52 177
Total short-term investments	**5 323 299**	**4 168 977**

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 3 158 000 for the period of 91-362 days at the effective interest rate of 7.89%.

13. Accounts receivable and advances

RR'000	As at June 30, 2012	As at December 31, 2011
Trade accounts receivable	1 482 703	1 301 692
Accounts receivable in form of promissory notes	144 174	221 801
Prepayments to suppliers on principal activities	7 214 116	5 151 792
VAT recoverable	518 124	232 852
Other taxes recoverable	2 118	1 664
Other receivables	1 450 777	1 066 464
Finance lease payments made in advance	22 158	-
Provision for bad and doubtful debts	(87 692)	(100 916)
Total accounts receivable and advances	**10 746 478**	**7 875 349**

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

'RR'000	6 months ended June 30, 2012
As at January 1, 2012	**(100 916)**
Charge in the period	(1 333)
Balances written off	-
Unused provision released	14 557
As at June 30, 2012	**(87 692)**

Accounts receivable arise from the Group principal activities including sale of constructed items and construction works.
The major counterparts for prepayments are LLC "Pioner-Invest", LLC "Budostal-3 Export" (prepayment for construction works), CJSC "Sankt-Petersburgskie electricheskie seti" (accession to electric network), GUP "Vodokanal" (accession to water supply networks), LLC "Peterburgskiy Vzglyad" (prepayment for the land plot).

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 June 30, 2012	As at December 31, 2011
Insurance	16 660	23 708
Other	736	13
Total other current assets	**17 396**	**23 721**

15. Cash and cash equivalents

RR'000	As at June 30, 2012	As at December 31, 2011
Cash in hand	5 308	1 449
Cash in bank — RR accounts	311 015	182 274
Cash in bank — foreign currency accounts	6 821	12 192
Short-term bank deposits	3 620 880	2 808 580
Bank letter of credit	173 124	314 007
Other cash and cash equivalents	30 750	2 900
Total cash and cash equivalents	**4 147 898**	**3 321 402**

16. Share capital

At 30 June 2012 authorized, issued and fully paid in share capital of the Group's parent comprised of 10 501 000 shares of par value 200 roubles (31 December 2011: 10 501 000 shares).

Issued and fully paid in share capital:

	Number of shares	Carrying value, RR'000
As at January 1, 2011	1 000	1 237
Shares issued in December 2011	10 500 000	2 100 000
As at December 31, 2011	10 501 000	2 101 237
As at June 30, 2012	**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.

Weighted average number of shares outstanding during the 6 months ended 30 June 2012 amounted to 10 501 000 shares, during the 6 months ended 30 June 2011 - 1 000 shares.

The shareholders of the Company as at As at June 30, 2012 are listed below:

Shareholder	Amount of shares	Share, %	Nominal value	Sum, adjusted to inflation
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 during the 6 months ended 30 June 2012 and 2011.

17. Loans and borrowings

RR'000	As at June 30, 2012	As at December 31, 2011
Long-term borrowings		
Bank borrowings (principal amount)	3 742 544	3 654 569
Corporate borrowings (principal amount)	3 872 490	4 797 897
	7 615 034	**8 452 466**
Short-term borrowings		
Bank borrowings (principal amount)	465 439	152 822
Bank borrowings (interest accrued)	14 102	13 243
Corporate borrowings (principal amount)	2 026 772	1 687 173
Corporate borrowings (interest accrued)	80 684	85 252
	2 586 997	**1 938 490**
Total borrowings:	**10 202 031**	**10 390 956**

Long-term bank loans comprise bank loans obtained from OJSC "Alfa-Bank" in amount of 'RR'000 1 130 858, from OJSC "Bank Saint-Petersburg" in amount of 'RR'000 1 747 656, from OJSC "Bank ZENIT" in amount of 'RR'000 656 338, CJSC "Raiffeisenbank' in amount of 'RR'000 207 692.

Short-term bank loans comprise a bank loan obtained from CJSC "Raiffeisenbank" in amount 'RR'000 207 692 and OJSC "Alfa-Bank"' in amount of 'RR'000 257 747.

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'000 148 470 (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 June 30, 2012
Balance at the beginning of the period (principal amount), based on undiscounted payments	**3 807 391**
Received (principal amount)	1 378 357
- *including foreign exchange difference*	250 550
Repaid (principal amount)	(977 765)
- *including foreign exchange difference*	(219 460)
Balance at the end of the year (principal amount)	**4 207 983**
Balance at the beginning of the year (interest)	**13 243**
Charging of an expense (interest)	762
Capitalized (interest)	139 787
-including foreign exchange difference	762
Interest paid	(139 690)
-including foreign exchange difference	(837)
Balance at the end of the year (interest)	**14 102**
Balance at the end of the year (principal amount) in the following currencies	**4 207 983**
- Russian roubles borrowings	1 250 000
- Euro borrowings	1 886 261
- US dollars borrowings	1 071 722
Total, borrowings (principal amount) at the end of year based on undiscounted payments	**4 207 983**
Payables within 12 months after the financial statement date (principal amount) at the end of the year	465 439
Payables within 2 years after the financial statement date at the end of the year	1 286 556
Payables within 3 years after the financial statement date at the end of the year	2 113 342
Payables within 4 years after the financial statement date at the end of the year	342 646
Payables within 5 years after the financial statement date at the end of the year	-
Total, borrowings (interest) at the end of the year	**14 102**
Payables within 12 months after the financial statement date (interest) at the end of the year	14 102
Total, payables (principal amount and interest) at the end of the year at the amortized cost	**4 222 085**

(b) Corporate loans

Long-term loans comprise loan from North Star B.V. in the amount of 'RR'000 3 802 041 and other loans in the total amount of 'RR'000 70 449.

Short-term loans comprise CJSC SSMO "LenSpetsSMU" bonds 01 series in the total amount of 'RR'000 398 703, CJSC SSMO "LenSpetsSMU" bonds BO-02 series in the total amount of 'RR'000 1 097 222, loan from North Star B.V. in the amount of 'RR'000 475 747, and other loans in the total amount of 'RR'000 55 100.

RR'000	As at June 30, 2012
Balance at the beginning of the year (principal amount) based on undiscounted payments	**6 538 399**
Received (principal amount)	127 300
-including foreign exchange difference	-
Repaid (principal amount)	(713 380)
-including foreign exchange difference	93 120
Redeemed obligations on loans from legal entities	(11 487)
Balance at the end of the year (principal amount)	**5 940 832**
Balance at the beginning of the year (interest), transient	**85 252**
Charged to expenses (interest)	62 196
Capitalized (interest)	326 231
-including foreign exchange difference	*901*
Paid (interest)	(394 824)
-including foreign exchange difference	*(4 245)*
Other	(47)
Redeemed obligations on loans from legal entities	1 876
Balance at the end of the year (interest)	**80 684**
Balance at the end of the year (principal amount) in the following currencies	**5 940 832**
- Russian roubles borrowings	1 625 508
- US dollars borrowings	4 315 324
Total, balance at the end of the year (principal amount and interest) based on undiscounted payments	**6 021 516**
Payables within 12 months after the financial statement date (principal amount) at the end of the year	2 067 852
Payables within 12 months after the financial statement date (interest) at the end of the year	80 684
Payables within 2 years after the financial statement date at the end of the year	1 871 466
Payables within 3 years after the financial statement date at the end of the year	1 476 760
Payables within 4 years after the financial statement date at the end of the year	492 254
Payables within 5 years after the financial statement date at the end of the year	32 500
Total, payables (principal amount and interest) at the end of the year at the amortized (balance) cost	**5 979 946**

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 June 30, 2012	As at December 31, 2011
Non-current liabilities		
Finance lease liabilities	334	-
	334	-
Current liabilities		
Accounts payable — trade	1 591 116	1 479 461
Wages and salaries payable	136 437	62 416
VAT payable	647 152	409 057
Other taxes payable	47 063	25 022
Accrued provisions	1 103 625	924 873
Finance lease liabilities	20 745	-
Other payables	641 731	390 148
	4 187 869	**3 290 977**
Total accounts payable	**4 188 203**	**3 290 977**

Accrued provisions in amount of RR'000 1 073 722 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 29 903.
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. Revenues

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Commissioning of construction objects	4 759 242	352 608
Own flats	3 913 028	5 185 710
Built-in premises (non residential)	671 486	694 468
Rent	312 166	156 139
Agent services	257 883	152 237
Construction services	243 262	141 656
Concrete production	150 974	258 690
Auto services sales	40 853	39 639
Secondary market apartments	-	4 530
Sales of other works and services	236 619	70 991
Other products, goods, materials	202 980	24 118
Total revenues	**10 788 493**	**7 080 786**

21. Cost of sales

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Commissioning of construction objects	3 550 830	271 749
Own flats	1 957 703	2 666 156
Built-in premises (non residential)	280 845	366 444
Building and assembly works	250 427	149 094
Salary and other personnel expenses	191 751	92 346
Depreciation of fixed assets	72 064	80 638
Maintenance expenses	22 353	15 717
Repair and maintenance	5 046	3 799
Depreciation of investment property	4 987	12 254

Amortization of intangible assets	26	-
Secondary market apartments	-	4 794
Other products, goods, materials	379 972	267 641
Other services	101 458	59 486
Total cost of sales	**6 817 462**	**3 990 118**

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	6 months ended June 30, 2012	6 months ended June 30, 2011
Revenue from long-term construction contracts in the reporting period	238 228	89 841
Cost incurred under long-term construction contracts in the reporting period	(238 228)	(76 961)
Total profit recognized under long-term construction contracts	-	**12 880**
	As at June 30, 2012	As at December 31, 2011
Aggregated cost incurred and recognized profit under long-term construction contracts outstanding at the end of reporting period	1 040 690	331 066
Unbilled receivables	371 052	232 949
Billings in excess of work completed	6 003	5 517
Advances for which the related work has not started	3 069 012	799 455
Retentions relating to construction contracts	4 242	-

23. Selling expenses

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Advertisement and marketing	112 758	77 883
Agency services	10 304	8 831
Other	347	5 199
Total selling expenses	**123 409**	**91 913**

24. General and administrative expenses

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Wages and other payments to personnel	442 716	337 448
Management services	162 993	155 345
Maintenance services	54 685	23 837
Security service	14 847	10 250
Consulting, legal, audit services	10 873	8 099
Rent	4 515	3 211
Depreciation of fixed assets	2 500	2 812
Auto services expenses	2 427	2 144
Amortization of intangible assets	540	473
Other	32 058	24 337
Total general and administrative expenses	**728 154**	**567 956**

25. Other operating income / (expenses), net

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Net income from sale of financial assets	20 642	18 347
Income / (expenses) from sale / (purchase) and other disposal of tangible assets	16 783	(113 585)
Income / (expenses) from accounts payable / (receivable) write-off	6 750	263
Fees, fines, forfeits receivable	6 468	4 936
Bad debts provision	2 743	57 470
SPA settlements after commissioning of the house by State commission	269	(507)
Provision for impairment of materials	-	12
Provision for impairment of investments	-	71
Provision for impairment of goods	(1 854)	(1 835)

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Fees, fines, forfeits payable	(1 859)	(966)
Charity	(2 257)	(3 265)
Warranties	(4 041)	(6 890)
Expenses on social objects maintenance	(4 241)	(12 488)
Profit / (losses) of the previous years	(4 780)	1 601
Social expenses and other payments to employees	(7 069)	(2 865)
Provision for ongoing court litigations	(8 109)	750
Compensation of other operations costs	(11 467)	1 444
Bank commissions	(18 630)	(25 462)
Other income / (expenses)	(2 077)	(2 326)
Total other operating income / (expenses)	**(12 729)**	**(85 295)**

26. Net financial income

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Interest income	235 099	57 814
Expenses from finance lease	(63)	-
Change in fair value of financial assets	(902)	13 754
Interest expense	(61 294)	(151 225)
Net foreign exchange (loss) / gain	(117 685)	190 486
Total net financial expenses	**55 155**	**110 829**

27. Income tax

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

(a) Income tax expense

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Current income tax expense	(487 258)	(875 638)
(Income) / Expenses from origination and reversal of temporary differences	(154 543)	394 004
Total income tax expense	**(641 801)**	**(481 634)**

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

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Profit before income tax	3 161 328	2 403 371
Theoretical tax charge at the applicable statutory rate on reporting date	(632 266)	(480 674)
Adjustments for items of income and expenses which are not assessable or deductible for taxation purposes	(9 535)	(960)
Total income tax expense	**(641 801)**	**(481 634)**

28. Related-party transactions

The remuneration of key management personnel (taxable at a rate of 13%) was as follows:

RR'000	6 months ended June 30, 2012	6 months ended June 30, 2011
Key management personnel	76 179	34 937

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 June 30, 2012	As at December 31, 2011	As at June 30, 2012	As at December 31, 2011
Long-term loans given				
Loans given (principal amount)	-	-	2 340	508 108
Short-term loans given				
Loans given (principal amount)	-	-	8 725	9 145
Loans given (interest)	-	-	15	4 382
Short-term accounts receivable and prepayments				
Trade accounts receivable	24 320	24 830	238 679	175 453
Accounts receivable in form of promissory notes	-	-	154 178	221 109
Prepayments to suppliers on principal activities	2 471 109	2 183 585	570 454	54 769
Other receivables	324	2	649 087	767 160
Short-term loans and borrowings				
Corporate borrowings (principal amount)	-	-	55 700	4 400
Corporate borrowings (interest accrued)	-	-	903	57
Short-term accounts payable				
Advances received	-	-	8 938	68 667
Trade accounts payable	126 593	211 776	672 921	598 916
Other accounts payable	-	-	14 691	38 139
Accounts payable in form of promissory notes	-	-	17 009	-

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

RR'000	Associated companies		Jointly controlled entities	
	6 months ended June 30, 2012	6 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011
Revenue	104 956	180 286	514 267	277 150
Cost of sales	-	(7 213)	(32 330)	(38 402)
Selling expenses	-	-	(33 934)	(969)
General and administrative expenses	-	-	(171 828)	(169 862)
Other income	1 001	1 045	13 075	24 685
Other expenses	(70)	(5 206)	(17 693)	(9 309)

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.

June 30, 2012 RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	2 628 077	7 615 524	-	10 243 601
Trade and other payables	3 493 654	334	-	3 493 988
Total	**6 121 731**	**7 615 858**	**-**	**13 737 589**

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**

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 US 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 June 30, 2012, 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 1 057 805 (31 December 2011 - RR'000 962 499), 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's management 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 June 30, 2011 the Group's companies issued guarantees amounting to '000 RR 248 408 (at December, 31 2011 – '000 RR 193 492).

32. Events subsequent to the reporting date

As at 24.07.2012, Standard & Poor's international rating agency improved its forecast on the credit rating of CJSC SSMO "LenSpetsSMU" to 'positive' and confirmed the company's rating at the 'B' level on the international rating scale and at the 'ruA' level on the Russian local scale.

As at 06.08.2012 the Group repaid the second tranche of the irrevocable credit line granted by CJSC "Raiffeisenbank" in the amount of USD'000 1 582. The outstanding balance of the credit line amounted to USD'000 11 075.

As at 09.08.2012 the Group paid interest on the loan granted by North Star SA in the amount of USD'000 3 616.

As at 23.08.2012 the Group paid the 9-th coupon of CJSC SSMO "LenSpetsSMU" bonds BO-02 series (4B02-02-17664-J dated April 12, 2010) in the amount of RR'000 39 760.

As at 10.09.2012 the Group paid the 11-th coupon of CJSC SSMO "LenSpetsSMU" bonds 01 series (4-01-17664-J dated November 12, 2009) in the amount of RR'000 15 780.

As at 20.09.2012 The Board of Directors of CJSC SSMO "LenSpetsSMU" approved for issue documents 02 series bond nominal value of 5 billion roubles, with a maturity of 5 years.

As at 04.10.2012 the Group received the first tranche from OJSC "Alfa-Bank" (import-export financing of the project "Lastochkino Gnezdo», I turn) in amount of euro'000 7 469.