

# CJSC SSMO “LenSpetsSMU”

## Separate financial statements

*As at 31 of December, 2007 together with independent auditor's report*



MOSCOW, 2008

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### Separate financial statements of CJSC SSMO "LenSpetsSMU"

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ICLC



## Independent auditors report

To the shareholders of CJSC SSMO "LenSpetsSMU"

We have audited the accompanying separate financial statements of CJSC SSMO "LenSpetsSMU", which comprise the separate balance sheet as at December 31, 2007, and the separate income statement, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the accompanying separate financial statements give a true and present fairly, in all material respects the financial position of CJSC SSMO "LenSpetsSMU" as at December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

General Director

Auditor in Charge

Moscow, Russian Federation  
May, 30 2008



D. Vinokurov

T. Demina

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"  
Separate balance sheet as at December 31, 2007

(Thousand Russian rubles)

	Notes	At December, 31 2007	At December, 31 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	4	1 589 519	495 438
Intangible assets	4	1 932	640
Financial assets (long-term)	5	756 232	379 716
Accounts receivable (long-term) and advances	6	199 617	167 024
Deferred tax assets	7	-	39 917
		<b>2 547 300</b>	<b>1 082 735</b>
<b>Current assets</b>			
Inventories	8	12 568 699	6 527 111
Short-term investments	9	261 036	376 497
Accounts receivable (short-term) and advances	6	2 912 988	1 559 075
Cash and cash equivalents	10	9 385	5 801
Other current assets	11	70 751	91 172
		<b>15 822 859</b>	<b>8 559 656</b>
<b>Total ASSETS</b>		<b>18 370 159</b>	<b>9 642 391</b>
<b>EQUITY</b>			
<b>Equity and reserves</b>			
Share capital	14	1 237	1 237
Investment available-for-sale revaluation reserve		67 254	-
Retained earnings		1 705 478	939 333
		<b>1 773 969</b>	<b>940 570</b>
<b>Long-term liabilities</b>			
Long-term borrowings	12	2 618 334	111 698
Advance payments received on primary activity (long-term)	13	323 150	851 029
Deferred tax liabilities	7	54 762	-
		<b>2 996 246</b>	<b>962 727</b>
<b>Short-term liabilities</b>			
Short-term borrowings	12	1 792 988	186 898
Advance payments received on primary activity (short-term)	13	8 912 672	6 093 295
Obligations and creditor debts (short-term)	13	2 894 284	1 458 901
		<b>13 599 944</b>	<b>7 739 094</b>
<b>Total EQUITY and Liabilities</b>		<b>18 370 159</b>	<b>9 642 391</b>

The balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8–23.

General director

Chief accountant

May 30, 2008



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Scherbina G.Ph.

Ignatyeva L.M.

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"  
 Separate income statement for the year ended December 31, 2007

(Thousand Russian rubles)

		2007 '000 RR	2006 '000 RR
<b>Revenue</b>	15	6 478 668	6 249 162
Cost of sales	16	(4 242 981)	(5 102 869)
<b>Gross profit</b>		<b>2 235 687</b>	<b>1 146 293</b>
Selling expenses	17	(209 785)	(170 395)
General and administrative expenses	17	(301 391)	(231 518)
Taxes, other than income tax		(48 235)	(6 953)
Other operating income/(expenses)	18	(77 603)	(101 101)
<b>Operating profit</b>		<b>1 598 673</b>	<b>636 326</b>
Net finance income	19	(140 844)	1 237
<b>Profit before income tax</b>		<b>1 457 829</b>	<b>637 563</b>
Income tax	7	(375 684)	(184 912)
<b>Net Profit</b>		<b>1 082 145</b>	<b>452 651</b>
Basic and diluted earnings on the share		1 082,15	452,65

The income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8–23.

General director  
 Chief accountant  
 May 30, 2008



Scherbina G.Ph.  
 Ignatyeva L.M.

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"  
 Separate statement of changes in equity for the year ended December 31, 2007

(Thousand Russian rubles)

	Share capital	Investments available- for-sale revaluation reserve	Retained earnings	Total
<b>Balance at December 31, 2005</b>	<b>1 237</b>	-	<b>526 682</b>	<b>527 919</b>
Net profit/(loss) for the period	-	-	452 651	452 651
Dividends	-	-	(40 000)	(40 000)
<b>Balance at December 31, 2006</b>	<b>1 237</b>	-	<b>939 333</b>	<b>940 570</b>
Net profit/(loss) for the period	-	-	1 082 145	1 082 145
Fair value measurement of investments available-for-sale	-	67 254	-	67 254
Dividends	-	-	(316 000)	(316 000)
<b>Balance at December 31, 2007</b>	<b>1 237</b>	<b>67 254</b>	<b>1 705 478</b>	<b>1 773 969</b>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8–23.

General director  
 Chief accountant  
 May 30, 2008



*(Handwritten signatures in blue ink)*

Scherbina G.Ph.  
 Ignatyeva L.M.

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Separate statement of cash flows for the year ended December 31, 2007

(Thousand Russian rubles)

	2007 '000 RR	2006 '000 RR
<b>OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>1 457 829</b>	<b>637 563</b>
Adjustments to reconcile profit before taxes to cash provided by operating activities	16 793	98 705
Depreciation	2 115	2 274
(Profit)/loss from assets sold	(42 148)	(54 105)
Foreign exchange (gain)/(loss)	(176 727)	(1 886)
Interest income	(29 929)	(12 029)
Interest expense	304 725	43 402
Income from participation in other organizations	(68 316)	(10 335)
Bad debt provision	(22 339)	72 481
Reserve for impairment of materials	8 296	-
Provisions for litigations	(1 450)	1 571
Other income and expenses	42 566	57 332
<b>Operating profit before changes in working capital</b>	<b>1 474 622</b>	<b>736 268</b>
(Increase)/decrease in Accounts receivable and advances	(824 560)	(129 098)
(Increase)/decrease in Inventories	(6 049 884)	(745 547)
(Increase)/decrease in Accounts payable and advances	3 930 031	294 976
(Increase)/decrease in Other assets / liabilities	20 421	(71 262)
<b>Cash generated from (used in) operations</b>	<b>(1 449 370)</b>	<b>85 337</b>
Income tax paid	(481 934)	(237 804)
<b>Net cash from (used in) operating activities</b>	<b>(1 931 304)</b>	<b>(152 467)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(997 563)	-
Proceeds from sales of property, plant and equipment and intangible assets	1 220	14 183
Acquisition / sale of securities and other financial assets	(660 701)	529 613
Acquisition / repayment of deposits	68 316	10 335
Loans given	(209 547)	-
Repayments of loans given	40 701	-
Acquisition / repayment of deposits	(20 291)	(107 958)
Interest received	26 477	12 029
<b>Net cash from (used in) investing activities</b>	<b>(1 751 388)</b>	<b>458 202</b>
<b>FINANCING ACTIVITIES</b>		
Amounts borrowed	6 697 752	581 220
Repayment of amounts borrowed	(2 508 263)	(805 535)
Interest paid	(213 609)	(43 342)
Dividends paid to shareholders	(289 604)	(36 628)
<b>Net cash from (used in) financing activities</b>	<b>3 686 276</b>	<b>(304 285)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3 584</b>	<b>1 450</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5 801</b>	<b>4 351</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9 385</b>	<b>5 801</b>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8-23.

General director  
Chief accountant  
May 30, 2008



*Handwritten signature in blue ink*

Scherbina G.Ph.  
Ignatyeva L.M.

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

(Thousand Russian rubles)

## 1. Principal activities

The company CJSC SSMO "LenSpetsSMU" 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 constructed by the Company constitutes around 8,8% of the whole building market of Saint-Petersburg. In 2007 CJSC SSMO "LenSpetsSMU" constructed buildings of total area of 211 251,9 sq. m.

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

The company CJSC Specialized Building and Assembly Association «LenSpetsSMU» was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995 The last edition of Charter was registered on 28.12.2007.

CJSC SSMO «LenSpetsSMU» has the following licenses:

- Licenses to carry out activity on building construction.
- License to carry out realty activity.
- License to carry out activity on operation of underground constructions.
- License to carry out activity on projecting of underground constructions.
- License to carry out design of buildings.

The main office is located in Saint-Petersburg at the following address: Bogatyirskiy prospect, 2.

In 2007 206 employees on average worked for the Company.

## 2. Basis of preparation

### General

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

Preparation of the separate 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 separate financial statements. Actual results, therefore, may differ from such estimates.

The Company must maintain accounting records and prepare financial statements for the purposes of regulating bodies in Russian rubles in accordance with the Russian Accounting Standards (RAS). The accompanying separate financial statements have been prepared on the basis of official accounting registers with the necessary adjustments and re-classifications of particular items to comply with the requirements of IFRS.

## 3. Significant accounting policies

### Cash and cash equivalents

Cash and cash equivalents are stated at fair value of cash inflows. Cash and cash equivalents include cash on hand, cash in banks and highly liquid investments with maturity date up to ninety days from the date of issue not charged with any agreed liabilities.

### Accounts receivable

Accounts receivable represent amounts due from individuals and legal entities under settlements for not redeemed flats.

Accounts receivable are stated at cost less provision for impairment. The amount of provision is recognized directly in the income statement.



# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

*(Thousand Russian rubles)*

## **Taxes recoverable**

Taxes recoverable comprise incoming value added tax (hereinafter – VAT) as well as debit balance for other taxes.

## **Inventories**

For accounting of construction in progress the company CJSC SSMO «LenSpetsSMU» applies IAS 2 "Inventories". This standard is used due to the inappropriateness of applying IAS 11 "Construction Contracts".

Rejection to apply IAS 11 is caused by the fact that the principal activities of LenSpetsSMU are those of investor and customer-builder. The Company invests in and organizes construction and operation of typical housing. The Company does not perform construction works under construction contracts.

Sales of construction objects are performed through execution of share participation agreements (SPA) with future owners of housing (shareholders) or through executing agreements of preliminary sale. (PSA).

Notwithstanding considerable differences in two schemes, risks associated with buildings being constructed are transferred to shareholders (buyers) after commissioning of a house by the State commission and registration of ownership rights over the housing being purchased by co-investors and shareholders. Till such moment housing and premises (including garages) under construction are accounted in LenSpetsSMU books as inventories, within "Production in process".

Inventories are evaluated at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase, production costs and other related cost included in cost of 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.

## **Short-term investments**

Investments are accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". The Company determines the corresponding classification of investments at initial recognition and re-evaluates this designation at every reporting date if it is required under IAS.

Short-term investments comprise shares in garage-building cooperative societies, promissory notes of banks and legal entities purchased for short-term financial investments and recognized at fair value. Changes in the fair value of short-term investments are recognized in the income statement.

## **Long-term investments**

Long-term investments comprise long-term promissory notes, investments in other companies as well as loans given to legal entities. Investments in shares and interests which do not have an active market are stated at initial cost. In case of decrease in long-term investments value, the carrying amount of such investments is adjusted accordingly.

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

(Thousand Russian rubles)

## Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and impairment losses.

At each reporting date the Company's management assesses whether there is any indication that any asset of Property, Plant and Equipment may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset which is the higher of its net realizable value and value in use. Depreciation of assets under construction and assets not commissioned for operation starts from the date when such assets are put into operation. Depreciation is calculated using a straight line method based on the following estimated useful lives:

	<u>Years</u>
Land	Not applicable
Buildings	25-30
Machinery and equipment	3-5
Other FA	5

The carrying amount of assets included in Property, Plant and Equipment is reviewed at each reporting date in order to estimate whether their carrying amount is higher than their recoverable amount. In this case the carrying amount is reduced to its recoverable amount. The impairment loss is recognized in the income statement of the current accounting period within administrative and operating expenses.

Repair and reconstruction costs incurred for items of Property, Plant and Equipment are recognized in the income statement as incurred within other administrative and operating expenses in case when they are not capitalized in the structure of corresponding fixed asset value.

## Obligations, liabilities, advance payments received

In 2005 in Russian Federation there was adopted the Federal Law "On participation in share Company in building apartment houses and other real estate objects".

This law reinforces control over building and sales of houses under scheme of executing share participation agreements. Enterprises engaged in the field of construction and using share participation agreements, starting from April, 2005 must:

- register each share participation agreement;
- define with high degree of accuracy the price of agreement and the order of its payment, warranty term of share building, amounts of forfeit for breach of obligations by the parties etc;

Such conditions complicate execution of new share participation agreements.

Therefore, starting from April, 2005, LenSpetsSMU started using new scheme for attracting finance for housing construction – execution of preliminary sale agreements. For agreements executed before 01.04.2005 the former scheme of share participation agreements is used.

In accordance with the agreement LenSpetsSMU engages its subsidiary CJSC "CUN" as an agent responsible for attraction of buyers and preliminary sale agreements execution.

At finishing construction LenSpetsSMU acquires ownership right over the building constructed and, the buyer having contributed 100% of prepayment, within 30 days executes sales agreement with such buyer and actually passes over the objects constructed to him.

In accordance with the share participation agreements and preliminary sales agreements investors (shareholders, future housing owners) invest in LenSpetsSMU paying advances intended for housing building.

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

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

(Thousand Russian rubles)

## Intangible assets

### *Licenses*

Cost of licenses is expenses incurred for acquisition of licenses and payments to government for their receipt. Amortization is charged on a straight-line basis over their estimated useful lives starting from the date of the beginning of operations. After initial recognition licenses are shown at cost less accumulated amortization and accumulated impairment losses.

### *Software*

Software is capitalized expenses for acquisition and putting into operation of software less accumulated amortization and accumulated impairment losses.

### *Other Intangible assets*

Other intangible assets acquired by the company are shown at cost less accumulated amortization and accumulated impairment losses.

### *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 income statement as an expense as incurred.

### *Useful life and amortization of intangible assets*

Intangible assets are amortized during their estimated useful lives and analysed for impairment if there are any. For the purposes of consolidated financial statements the following estimated useful lives are used:

## Deferred taxes

Deferred taxes are calculated using the balance sheet liability method which is based on the concept of temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities recognized in balance sheet and the amounts used for taxation purposes. In accordance with this method deferred taxes are recognized for all temporary differences except for some particular cases. The amount of deferred tax assets and deferred tax liabilities 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 balance sheet date. 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.

## Share capital

Share capital is stated at historical cost. Contributions to share capital in the form of assets other than cash are recognized at fair value on the date of contribution. Profits and losses from sales of shares redeemed from shareholders are attributed to or written-off from the additional paid-in capital account.

Ordinary dividends are recognized in equity in the period in which they are declared. Dividends declared after the balance sheet date are disclosed in the section "Events subsequent to the balance sheet date" according to IAS 10 "Events after the Balance sheet date".

## Accidental expenses

Accidental 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. Accidental income is not recognized in financial reporting but is disclosed when there appears probability of economical benefit receipt.

## Recognition of operating income/expenses

The proceeds from sales of built housing and other operating income and expenses are recognized in the same period. In accordance with IFRS 18 "Revenue" the revenue is recognized when substantially all risks are transferred to customer; the amount of revenue can be measured reliably; the amount of related costs can be measured reliably; it is probable that economic benefits will flow to the company.

All income received and expenses incurred are shown in these financial statements separately net of VAT.

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

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*(Thousand Russian rubles)*

## **Financial income and expenses**

Interest income and interest expense are recognized using accrual concept and are calculated using effective interest rate method.

## **Employee benefits**

### *Pensions*

Company makes regular compulsory payments for its employees to State pension fund. Such circumstances should not be considered as long-term irrecoverable obligation of the Company as the government incurs all risks and rewards due to use of this scheme.

### *Post-employment benefits*

According to existing legislation the Company has an obligation to provide termination benefits to employees. In Company's management opinion such circumstances couldn't be considered as regular so they do not affect financial statements and Company's activity.

## Original in Russian language

*Company SCJC SSMO "LenSpetsSMU"*  
*Notes to separate financial statements as at December 31, 2007*

*(Thousand Russian rubles)*

#### 4. Property, Plant and Equipment, intangible assets and capital construction in progress objects

Property, Plant and Equipment flows during 2007 are as follows:

	TOTAL	Land plots	Buildings and construction s	Machines and equipment	Vehicles	Other FA	Constructio n in progress
Cost as at 31 of December, 2006	586 905	443 733	20 326	97 876	66	24 903	1
Additions	2 296 044	948 498	183 419	43 966	(1)	463	1 119 699
Disposals	(1 214 631)	(21 505)	(2 257)	(63 719)	-	(7 450)	(1 119 700)
Cost as at 31 of December, 2007	1 668 318	1 370 726	201 488	78 123	65	17 916	-
Accumulated depreciation as at 31 of December, 2006	(91 467)	-	(3 502)	(84 250)	(63)	(3 652)	-
Depreciation accrued for the period	(57 719)	-	(38 623)	(7 692)	(2)	(11 402)	-
Depreciation on disposals	70 387	-	7 691	62 419	-	277	-
Accumulated depreciation as at 31 of December, 2007	(78 799)	-	(34 434)	(29 523)	(65)	(14 777)	-
Net book value as at 31 of December, 2006	495 438	443 733	16 824	13 626	3	21 251	1
Net book value as at 31 of December, 2007	1 589 519	1 370 726	167 054	48 600	-	3 139	-

Intangible assets of the company include software, trade marks in total amount of RR'000 1932. Intangible assets were not impaired.

#### 5. Financial assets (long-term)

As at 31 of December, 2007 short-term financial assets comprise the long-term investments:

	2007	2006
<b>Long-term financial investments</b>		
Long-term investments	604 463	366 896
Long-term investments into the other companies	433	431
Investments available-for-sale	110 000	-
Loans given to legal entities	41 336	12 389
<b>TOTAL</b>	<b>756 232</b>	<b>379 716</b>

Long-term investments are investments in the following subsidiaries and affiliates:

	2007
<b>Long-term investments</b>	
CJSC "SPb MFTC"	2 616
CJSC "CUN"	40
CJSC "LenSpetsSMU – Reconstruction"	2
CJSC "LSO"	3
LLC "ORGTECHREMSTROY"	2
OJCS "SMU" "Elektronstroy"	1 725
CJSC "Building materials factory "Etalon"	75
CJSC "AKTIV"	600 000
<b>TOTAL</b>	<b>604 463</b>

Long-term loans given of CJSC SSMO "LenSpetsSMU" in total amount of RR'000 41 336 include the loan given to LLC "Severnaya viysota and K" in amount of RR'000 37 698, the loan given to CJSC "NULEVIK" in amount of RR'000 3 638.

Loans given to legal entities are denominated in Russian rubles and are stated at amortized cost. The effective interest rate was 11,7% at December 31, 2006 and 11,5% at December 31, 2007 .

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

(Thousand Russian rubles)

## 6. Accounts receivable

As at 31 of December, 2007 accounts receivable of the Company consist of the following items:

	2007	2006
<b>Accounts receivable (long-term):</b>	<b>199 617</b>	<b>167 024</b>
Accounts receivable for the principal activities	171 094	111 431
Advances to suppliers for the principal activities	28 523	51 801
Other accounts receivable	-	3 792
<b>Accounts receivable (short-term):</b>	<b>2 912 988</b>	<b>1 559 075</b>
<b>Accounts receivable for the principal activities</b>	<b>849 584</b>	<b>579 621</b>
Accounts receivable for the principal activities	297 931	256 680
Accounts receivable accompanied promissory notes	551 653	322 941
Advances to suppliers for the principal activities given	1 745 862	735 997
Other accounts receivable	139 539	325 026
Bad debt reserve (-)	(67 135)	(89 474)
<b>Taxes recoverable</b>	<b>245 138</b>	<b>7 905</b>
VAT recoverable	118 479	1 459
Other accounts receivable under taxes	126 659	6 446
<b>TOTAL</b>	<b>3 112 605</b>	<b>1 726 099</b>

The major debtors as to advances given are CJSC «Dorinda» (agreement of investment activity), LLC «LSS-Stroy» (investment payment), CJSC «Birzha «Saint-Peterburg» (investment payment), LLC «LenEnergo» (settlements for electricity), CJSC «LenSpetsSMU-Komfort» (investment payment).

Other accounts receivable and advances given include settlements under rent agreements, settlements for flats redeemed from individuals, settlements for shares in garage building cooperatives (GBC) and other settlements.

# Original in Russian language

Company SCJC SSMO "LenSpetsSMU"  
Notes to separate financial statements as at December 31, 2007

(Thousand Russian rubles)

Material part of accounts receivable of CJSC SSMO LenSpetsSMU comprises settlements with subsidiaries and associated companies:

	2007	2006
<b>Accounts receivable (long-term)</b>		
<b>Accounts receivable for the principal activities</b>	-	722
CJSC "SPb MFTC"	-	722
<b>Advances given</b>	-	14 549
CJSC "Energy company "Teplogarant"	-	14 549
<b>Other accounts receivable and advances given</b>	-	132
LLC "ORGTECHREMSTROY"	-	47
OJSC "SMU "Elektronstroy"	-	85
<b>TOTAL</b>	-	<b>15 403</b>
<b>Accounts receivable (short-term)</b>	<b>553 571</b>	<b>224 480</b>
<b>Accounts receivable for principal activities</b>	<b>432 828</b>	<b>137 912</b>
CJSC "SPb MFTC"	68 739	-
LLC "ORGTECHREMSTROY"	207	-
CJSC "Energy company "Teplogarant"	18 649	8 736
OJSC "SMU "Elektronstroy"	421	-
CJSC "CUN"	185 312	111 772
CJSC "AKTIV"	159 500	17 404
<b>Advances given</b>	<b>105 971</b>	<b>4 100</b>
CJSC "Energy company "Teplogarant"	19 735	4 100
CJSC "SPb MFTC"	48 942	-
CJSC "CUN"	37 294	-
<b>Other accounts receivable and advances given</b>	<b>14 772</b>	<b>82 468</b>
CJSC "CUN"	12 088	-
CJSC "LenSpetsSMU – Reconstruction"	1 784	31
CJSC "SPb MFTC"	-	135
CJSC "Energy company "Teplogarant"	1	214
OJSC "SMU "Elektronstroy"	501	363
LLC "ORGTECHREMSTROY"	296	-
CJSC "LSO"	10	11
CJSC "AKTIV"	92	81 714
<b>TOTAL</b>	<b>553 571</b>	<b>239 883</b>

# Original in Russian language

*Company SCJC SSMO "LenSpetsSMU"*

*Notes to separate financial statements as at December 31, 2007*

*(Thousand Russian rubles)*

## 7. Income taxes

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

	2007	2006
<b>Deferred tax assets</b>		
Fixed assets & Intangible Assets	2 282 879	1 248 654
Financial investments	4 253	-
Trade accounts receivable	21 028	21 474
Reserves	-	7 557
Prepaid expenses	18 529	4 324
Accounts payable	153 384	-
Borrowings and loans received	9 729	
Long-term loans given	1 093	556
Other	29	377
	<b>2 490 924</b>	<b>1 282 942</b>
<b>Deferred tax liabilities</b>		
Inventories	2 094 774	1 238 717
Advances received	425 420	-
Borrowings and loans received	-	4 308
Other current assets	25 492	-
	<b>2 545 686</b>	<b>1 243 025</b>
<b>Total, net deferred assets (liabilities)</b>	<b>(54 762)</b>	<b>39 917</b>

Income tax expenses of the Company consist of the following items:

	2007	2006
Current income tax	(302 244)	(207 527)
Tax included in the Statement of Income	(94 679)	22 615
Tax charged to equity	21 239	-
<b>TOTAL income tax</b>	<b>(375 684)</b>	<b>(184 912)</b>

The Company files tax returns for different taxes including income tax. The applicable rate of corporate income tax for Russian companies is 24%.



## Original in Russian language

*Company SCJC SSMO "LenSpetsSMU"*  
*Notes to separate financial statements as at December 31, 2007*

*(Thousand Russian rubles)*

### 8. Inventories

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

	<i>2007</i>	<i>2006</i>
<b>Finished products and goods for re-sale</b>	<b>2 651 878</b>	<b>1 206 211</b>
Secondary market flats	8 393	5 651
Own flats	2 269 436	826 519
Built-in premises	370 574	370 309
Other	3 475	3 732
<b>Construction materials</b>	<b>19 027</b>	<b>7 264</b>
<b>Fuel</b>	<b>409</b>	<b>-</b>
<b>Spare parts</b>	<b>1 390</b>	<b>1 263</b>
<b>Reserve for impairment of materials</b>	<b>(8 296)</b>	<b>-</b>
<b>Other</b>	<b>9 839</b>	<b>20 617</b>
<b>Construction in progress</b>	<b>9 894 452</b>	<b>5 291 756</b>
Flats and built-in premises	9 009 950	4 933 769
Garages	884 502	357 987
<b>TOTAL</b>	<b>12 568 699</b>	<b>6 527 111</b>

The construction in progress objects are situated at the following addresses:

	<i>2007</i>	<i>2006</i>
Lanskoy block	82	18 503
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	2 365	36 543
Zhivoy ruchey	592 894	113 719
Morscoy kaskad, morskoy fasad	4 005	4 747
Grazhdanka-City	109 375	1 102 435
V. O. Birzhevoy passage, 12	25 994	64 267
House on Serebrystiy	2 043	1 543
House in Ozerki	584	7 650
Zolotaya Gavan'	1 346 047	1 774 541
HC Polezhaevskiy	385 202	114 588
The house in the street Rudnev	321 472	67 565
Ol'minskogo st.	829	2 615
House on Avangardnaya st.	3 584	12 204
Housing complex "Yuzhniy"	1 846 726	310 185
Novoye sozvezdie	1 970 322	636 267
Novoye Grazhdanka	151	-
Yubileiny quartal	1 232 692	61 571
Bryantseva st.	42 603	-
Infrastructure objects	402 762	74 233
Other objects	720 218	530 593
<b>TOTAL</b>	<b>9 009 950</b>	<b>4 933 769</b>

Object comparison for the year 2006 and 2007 shows that the largest objects of building during 2007 year were objects: Housing complex «Yuzhniy» and «Novoye sozvezdie».

Flats redeemed for further re-sale (in particular – at the secondary market) in amount of RR'000 8 393 as well as flats built at Company's own account or at account of saved assets of depositors in amount of RR'000 2 269 436 are included in the structure of finished production and goods for re-sale reserves.

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2007

(Thousand Russian rubles)

### 9. Financial assets (short-term)

As at 31 of December, 2007 short-term financial assets include the following items:

	31 декабря 2007 г. Рубли'000	31 декабря 2006 г. Рубли'000
<b>Held-to-maturity investments</b>	<b>136 715</b>	<b>116 550</b>
Deposits	136 715	116 550
<b>Available-for-sale financial assets</b>	<b>106 215</b>	<b>220 135</b>
<b>Loans given to legal entities</b>	<b>18 106</b>	<b>39 812</b>
Loans given to related companies	14 030	26 025
Loans given to other companies	4 076	13 787
<b>TOTAL</b>	<b>261 036</b>	<b>376 497</b>

The loans which have been given out to legal entities, include the loan which has been given out to subsidiary company JSC "SMU "Elektronstroy" (in amount of RR'000 13 500), the loan which has been given out to subsidiary company LLC "Kamenka" (in amount of RR'000 530) and the loans which have been given out to the external companies.

### 10. Cash and cash equivalents

As at 31 of December 2007 cash and cash equivalents consist of the following items:

	2007	2006
<b>Cash</b>	<b>4 585</b>	<b>5 151</b>
Cash on hand	1 404	1 894
Current and settlement accounts	3 181	3 257
<b>Cash equivalents</b>	<b>4 800</b>	<b>650</b>
Other	4 800	650
<b>TOTAL</b>	<b>9 385</b>	<b>5 801</b>

### 11. Other current assets

Prepaid expenses have the following structure:

	2007	2006
<b>Prepaid expenses</b>		
Advertising	35 499	71 339
Agent services in individual share contracts	19 486	17 899
Investment projects (cession of rights)	10 820	-
Subscription	-	167
Insurance	214	1 718
Other	4 732	49
<b>TOTAL</b>	<b>70 751</b>	<b>91 172</b>

## Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2007

*(Thousand Russian rubles)*

#### 12. Borrowings

As at 31 of December, 2007, borrowings of LenSpetsSMU can be represented as follows:

	Total, borrowings
<b>Balance at the beginning of the period (principal amount)</b>	315 973
Received (principal amount)	6 770 276
including foreign exchange difference	72 524
Repaid (principal amount)	(2 764 031)
including foreign exchange difference	(255 768)
<b>Balance at the end of the period (principal amount)</b>	<b>4 322 218</b>
<b>Balance at the beginning of the period (interest)</b>	-
Charging of an expens (interest)	262 191
Paid up (interest)	(213 622)
including foreign exchange difference	(13)
<b>Balance at the end of the period (interest)</b>	<b>48 569</b>
<b>Balance at the end of the period (principal amount) in currency of liabilities</b>	<b>4 322 218</b>
US dollars borrowings	4 322 218
<b>Total, borrowings (principal amount) at the end of period at cost</b>	<b>4 322 218</b>
Payables within 12 months after the balance sheet date (principal amount) at the end of the period	1 744 419
Payables within 2 years after the balance sheet date (principal amount) at the end of the period	60 188
Payables within 3 years after the balance sheet date (principal amount) at the end of the period	60 187
Payables within 4 years after the balance sheet date (principal amount) at the end of the period	2 804
Payables within 5 years after the balance sheet date (principal amount) at the end of the period	2 454 620
<b>Total, borrowings (interest) at the end of period at cost</b>	<b>48 569</b>
Payables within 12 months after the balance sheet date (interest) at the end of the period	48 569
<b>Total, borrowings (principal amount and interest) at the end of period at cost</b>	<b>4 370 787</b>
<b>Total, payables (principal amount and interest) at the end of the period at the amortized (balance) cost</b>	<b>4 411 322</b>
including interest	48 569

Long-term bank loans comprise a loan provided by the company "Golden Ring Finance S.A." (Luxemburg) amounting to RR'000 2 454 620 at historical cost (long-term amortized cost RR'000 2 494 123) and a bank loan obtained from Amsterdam Trade Bank amounting to RR'000 195 560 at historical cost (long-term amortized cost RR'000 124 211). Loans are transferred by OJSC "Alfa-Bank".

Short-term bank loans comprise a bank loan from Amsterdam Trade Bank in amount of RR'000 114 581, a bank loan from "Rosbank" in amount of RR'000 736 387, a bank loan from bank "VTB" in amount of RR'000 821 070.

## Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2007

*(Thousand Russian rubles)*

#### 13. Liabilities

	2007	2006
<b>Short-term liabilities, including</b>	<b>11 806 956</b>	<b>7 552 196</b>
Payables to suppliers and contractors	2 152 866	571 579
Advance payments received on primary activity	8 912 672	6 093 295
Taxes payable	31 741	59 696
Accrued reserves	538 764	745 566
Other short-term liabilities, including	170 913	82 060
<b>Long-term liabilities</b>	<b>323 150</b>	<b>851 029</b>
Advances received on primary activity	323 150	851 029
<b>TOTAL</b>	<b>12 130 106</b>	<b>8 403 225</b>

In 2005 of CJSC SSMO "LenSpetsSMU" has passed to the new scheme of realization of the constructed habitation and uninhabited premises - by the conclusion of contracts of preliminary purchase and sale. According to the new scheme of CJSC "CUN" carries out search and attraction of potential buyers, and also in the name and at the expense of CJSC SSMO "LenSpetsSMU" concludes contracts of preliminary purchase and sale (PPS).

The cash means received by CJSC "CUN" from buyers of the future apartments and transferred to CJSC SSMO under the contracts of preliminary purchase and sale, are presented as advance payments received on primary activity.

In addition to the contracts of preliminary purchase and sale the scheme of realization of habitation under individual share contracts is used by the Company. The cash means received CJSC SSMO «LenSpetsSMU» from shareholders under contracts of individual share are presented as advance payments received on primary activity.

Advance payments received on primary activity write-off on financial result when construction objects accepted by the state commission.

Short-term liabilities in the amount of RR'000 2 152 866 include settlements for construction works with related companies in amount of RR'000 1 676 440, with the company "Novator" (construction works at objects " Zolotaya Gavan ", "Yubileiny kvartal" and others) in amount of RR'000 129 180 as well as other settlements for construction and other works related to construction of apartments and premises, in amount of RR'000 347 246.

	2007	2006
<b>Other short-term liabilities, including</b>		
Payables to personnel and accompanying liabilities	5 343	3 239
Other accounts receivable	165 570	78 821
<b>TOTAL</b>	<b>170 913</b>	<b>82 060</b>

Other short-term liabilities in total amount of RR'000 165 570 include settlements with shareholders in amount of RR'000 100 018.

The accounts payable of CJSC SSMO "LenSpetsSMU" include settlements with subsidiaries and associated companies.

	Liabilities, total, including	Liabilities for settlements with suppliers and contractors	Advances received on primary activity	Other short-term liabilities
CJSC "SPb MFTC"	231 369	231 369	-	-
CJSC "CUN"	1 318 554	2 241	1 315 569	744
CJSC "LenSpetsSMU – Reconstruction"	107 841	107 841	-	-
CJSC "LSO"	153	153	-	-
CJSC "AKTIV"	5 986	5 986	-	-
CJSC "Energy company "Teplogarant"	11 363	11 363	-	-
LLC "ORGTECHREMSTROY"	390	390	-	-
OJCS "SMU" "Elektronstroy"	784	421	-	363
<b>TOTAL</b>	<b>1 676 440</b>	<b>359 764</b>	<b>1 315 569</b>	<b>1 107</b>

## Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

As at 31 of December, 2007

(Thousand Russian rubles)

#### 14. Share capital

As at December 31, 2007 declared, registered and paid-up share capital of the Company consisted of 200 shares of nominal value of 1 000 rubles per share.

Shareholders of the company as at December 31, 2007 were:

Shareholder	Quantity of shares	Participation share, %	Nominal	The sum corrected taking into account inflation
CJSC "The operating company - building holding "Etalon – LenSpetsSMU"	985	98,5%	197	1 218
Other	15	1,5%	3	19
	1000	100%	200	1 237

#### 15. Revenue

	2007	2006
<b>Proceeds from sales</b>		
Acceptance of objects of building (houses)	3 859 822	5 197 121
Flats of the secondary market	15 730	14 755
Own flats	2 359 525	749 864
Built-in premises	203 767	222 920
Construction works	17 107	5 283
Rent	7 808	19 275
Sales of other works, goods and services	14 909	39 944
<b>TOTAL</b>	<b>6 478 668</b>	<b>6 249 162</b>

#### 16. Cost of sales

	2007	2006
<b>Cost of sales</b>		
Acceptance of objects of building (houses)	2 789 936	4 490 273
Own flats	1 253 834	376 339
Built-in premises	144 778	189 479
Flats of the secondary market	7 180	11 597
Material expenses	1 061	466
Wages and other payments to personnel	277	1 299
Depreciation	211	1 150
Other costs	45 704	32 266
<b>TOTAL</b>	<b>4 242 981</b>	<b>5 102 869</b>

# Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

As at 31 of December, 2007

*(Thousand Russian rubles)*

### 17. Selling and administrative expenses

Selling and administrative and operating expenses for the year 2007 included the following items:

	2007	2006
<b>Selling expenses</b>	<b>209 785</b>	<b>170 395</b>
Advertising and marketing	62 413	72 532
Agent services	90 845	76 341
Trade expenses	54 659	18 735
Other costs	1 868	2 787
<b>General and administrative expenses</b>	<b>301 391</b>	<b>231 518</b>
Wages and other payments to personnel	131 326	137 434
Depreciation	1 904	1 124
Rent	11 084	17 723
Materials	1 985	1 035
Advisory, legal, audit and other professional services	5 528	2 887
Communication services	1 038	1 111
Management services	115 932	58 342
Transport	11 309	8 908
Operating expenses	13 018	1 790
Other costs	8 267	1 164
<b>Total selling and administrative expenses</b>	<b>511 176</b>	<b>401 913</b>

### 18. Other operating income and expenses

	2007	2006
<b>Other operating income (expenses)</b>		
Bad debt reserve	22 339	(72 481)
Incomes (expenses) of realization of shares in GSCS	39 007	53 504
Settlements after acceptance of the house by State commission	(12 359)	24 545
Social services	(21 526)	(13 594)
Write off of accounts payable/accounts receivable	(3 076)	13 335
Income from participation in other organizations	68 316	10 335
Bank commissions	(38 879)	(40 12)
Provisions for litigations	1 450	(1 571)
Inventory impairment reserve	(8 296)	-
Fees, fines, forfeits	(10 792)	2 410
Income/ expenses related to liquidation and write-off of an assets	2 008	(4 074)
Other costs	(115 795)	(109 498)
<b>TOTAL</b>	<b>(77 603)</b>	<b>(101 101)</b>

### 19. Net financial income

	2007	2006
Interest expense	(304 725)	(43 402)
Interest income	29 929	12 029
Foreign exchange gain/(loss)	176 727	34 927
Income/(expense) from change of fair value of long-term borrowings and loans	(42 775)	(2 317)
<b>TOTAL</b>	<b>(140 844)</b>	<b>1 237</b>

## Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2007

*(Thousand Russian rubles)*

#### 20. Related party transactions

Company performs production operations with the following subsidiaries:

	Share of CJSC SSMO "LenSpetsSMU"
CJSC "SPb MFTC"	61%
OJSC "SMU" "Elektronstroy"	88%
CJSC "AKTIV"	100%
CJSC "CUN"	40%

The Company also performs operations with the following associated companies:

	Share of CJSC SSMO "LenSpetsSMU"
CJSC "LenSpetsSMU – Reconstruction"	25%
CJSC "Building materials factory "Etalon"	25%
J.L.C. "ORGTECHREMSTROY"	20%
CJSC "LSO"	20%

Operations with the related parties are disclosed in corresponding sections of the separate financial reporting

#### 21. 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, the relevant authorities may have different interpretations and the effects could be significant.

##### Guarantees of liabilities issued

As at December 31, 2007 there were guarantees of liabilities issued by the CJSC SSMO "LenSpetsSMU" in total amount of '000 RR 4 822 008 including bonds issues (serial number 01 and 02, issuer - CJSC "CUN) in amount of RR'000 3 697 300. Securities include 2,5 mln bonds in total amount of RR'000 2 500 000, nominal value – RR'000 1 per bond (including bond floatation in 2005 – 1 mln bonds, in 2006 – 1,5 mln bonds).

#### 22. Events subsequent to Balance sheet date

As far as advanced repayment of bonds issue serial number 1 took place at February 21, 2008, guaranty of liabilities in total amount of RR'000 1 600 000 issued by the CJSC SSMO "LenSpetsSMU" and related to this bonds issue was terminated.

Significant short-term bank loans and credit lines were refinanced by the CJSC SSMO "LenSpetsSMU".

## Original in Russian language

Company CJSC SSMO "LenSpetsSMU"

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### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**As at 31 of December, 2007**

*(Thousand Russian rubles)*

There were credits and loans received within the refinance in total amount of 156,9 mln USD, credits and loans repaid in total amount of 167,9 mln USD.

Due to refinance the amount of financial debt of the CJSC SSMO "LenSpetsSMU" which maturity date is the year 2008 decreased from 70,6 mln USD as at December 31, 2007 to 6,3 mln USD as at the date of the present separate financial statements.