Original in Russian language

Group of companies "LenSpetsSMU"

Consolidated financial statements prepared under IFRS

for the 12 months ended December 31, 2012
including independent auditor's report

Contents

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of LenSpetsSMU group.

We have audited the accompanying consolidated financial statements of CJSC SSMO "LenSpetsSMU" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

General director ______________ Dmitry M. Vinokurov

Moscow, Russian Federation

April 22, 2013

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	Notes	As at December 31, 2012 'RR'000	As at December 31, 2011 'RR'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1 596 429	503 545
Investment property	7	232 692	217 891
Intangible assets	8	2 887	2 439
Investments in associates	9	2 248 328	1 975 368
Long-term financial investments	10	15 142	548 127
Accounts receivable and prepayments	14	16 851	1 832
Deferred tax assets	11	109 598	164 598
		4 221 927	**3 413 800**
Current assets			
Inventories	12	20 648 794	21 866 750
Short-term financial investments	13	9 492 645	4 168 977
Accounts receivable and prepayments	14	13 228 843	7 873 517
Income tax receivable		228 310	5 733
Other current assets	15	35 607	23 721
Cash and cash equivalents	16	4 869 418	3 321 402
		48 503 617	**37 260 100**
Total assets		**52 725 544**	**40 673 900**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	2 101 237	2 101 237
Retained earnings		19 371 435	13 954 906
Equity attributable to owners of the parent		21 472 672	16 056 143
Non-controlling interests		1 460 670	1 236 198
Total equity		**22 933 342**	**17 292 341**
Non-current liabilities			
Loans and borrowings	18	11 860 470	8 452 466
Accounts payable and other liabilities	20	110 663	5 476
Deferred tax liabilities	11	206 702	98 108
		12 177 835	**8 556 050**
Current liabilities			
Loans and borrowings	18	2 855 237	1 938 490
Advances received on principal activity	19	11 513 969	9 572 336
Accounts payable and other liabilities	20	2 686 668	2 360 628
Provisions	21	549 341	924 873
Income tax payable		9 152	29 182
		17 614 367	**14 825 509**
Total equity and liabilities		**52 725 544**	**40 673 900**

The accompanying notes are an integral part of these consolidated financial statements.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

22 April, 2013

	Notes	12 months ended December 31. 2012 'RR'000	12 months ended December 31. 2011 'RR'000
Revenue	22	24 943 338	18 144 368
Cost of sales	23	(16 501 868)	(11 139 692)
Gross profit		**8 441 470**	**7 004 676**
Selling expenses	25	(321 215)	(211 406)
General and administrative expenses	26	(1 588 342)	(1 290 533)
Taxes, other than income tax		(177 082)	(132 589)
Other operating income/(expenses), net	27	(340 026)	22 690
Operating profit		**6 014 805**	**5 392 838**
Share in profit of associates	9	272 960	175 479
Net finance income/(expenses)	28	818 772	(637 086)
Profit before income tax		**7 106 537**	**4 931 231**
Income tax	29	(1 465 635)	(998 476)
Net profit for the year		**5 640 902**	**3 932 755**
Total comprehensive income for the year		**5 640 902**	**3 932 755**
Profit attributable to:			
Equity holders of the parent		**5 493 938**	**3 782 880**
Non-controlling interests		**146 964**	**149 875**
Total comprehensive income attributable to:			
Equity holders of the parent		**5 493 938**	**3 782 880**
Non-controlling interests		**146 964**	**149 875**
Basic and diluted earnings per share	17	**0,52**	**11,92**

The accompanying notes are an integral part of these consolidated financial statements.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

22 April, 2013

	Notes	12 months ended December 31, 2012 'RR'000	12 months ended December 31, 2011 'RR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		7 106 537	4 931 231
Adjustments for:		**(683 094)**	**550 212**
Depreciation and amortization	23,26	187 397	139 793
Profit from sale of financial assets	27	(73 326)	(26 308)
Provision for impairment of inventories	27	349 582	22 161
Provision for bad and doubtful accounts receivable	27	(31 771)	(63 254)
Provision for ongoing court litigations	27	2 440	(60 800)
Provision for impairment of financial investments		-	(4 290)
Foreign exchange(gain)/ loss	28	(301 584)	570 293
Interest expense	28	90 674	218 388
Interest income	28	(512 104)	(123 618)
Changes in amortized cost of financial assets	28	(95 758)	(27 977)
Share in profit of associates	9	(272 960)	(175 479)
(Profit)/loss on disposal of non-current assets		(22 950)	80 219
Other income and expenses		(2 734)	1 084
Operating profit before changes in working capital		**6 423 443**	**5 481 443**
Increase in trade accounts receivables and prepayments		(5 466 277)	(2 908 997)
Decrease in inventories		1 769 757	20 101
Increase / (decrease) in trade payables and advances received		814 929	(703 661)
Changes in other assets and liabilities		(11 886)	(21 325)
Cash generated from/(used in) operations		**3 529 966**	**1 867 561**
Income tax paid		**(1 512 990)**	(1 761 393)
Net cash from operating activities		**2 016 976**	**106 168**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(532 123)	(401 221)
Proceeds from sale of property, plant and equipment and intangible assets		38 831	107 802
(Purchase)/sale of securities and other financial assets		563 024	442 337
Acquisition of bank deposits	13	(4 611 045)	(2 133 000)
Cash acquired through acquisition of subsidiary	4	14 507	-
Disbursement of loans		(337 384)	(55 556)
Repayments of loans		363 548	185 029
Interest received		458 708	104 416
Net cash used in investing activities		**(4 041 934)**	**(1 750 193)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		7 544 062	6 459 105
Repayment of borrowings		(2 869 113)	(5 166 580)
Interest paid		(1 027 047)	(1 087 584)
Increase in share capital		-	2 100 000
Net cash flows from financing activities		**3 647 902**	**2 304 941**
Effect of exchange rate changes on cash and cash equivalents		(74 928)	(90 800)
Net increase in cash and cash equivalents		**1 548 016**	**570 116**
Cash and cash equivalents at the beginning of the year	16	**3 321 402**	**2 751 286**
Cash and cash equivalents at the end of the year	16	**4 869 418**	**3 321 402**

The accompanying notes are an integral part of these consolidated financial statements.

General Director Scherbina G. Ph

Chief Accountant Ushakova E. V.

22 April, 2013

'RR'000	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2011	**1 237**	**10 172 026**	**10 173 263**	**1 086 323**	**11 259 586**
Increase in share capital	2 100 000	-	2 100 000	-	2 100 000
Net profit for the year	-	3 782 880	3 782 880	149 875	3 932 755
Balance at December 31, 2011	**2 101 237**	**13 954 906**	**16 056 143**	**1 236 198**	**17 292 341**
Acquisition of subsidiary	-	(77 409)	(77 409)	77 508	99
Net profit for the year	-	5 493 938	5 493 938	146 964	5 640 902
Balance at December 31, 2012	**2 101 237**	**19 371 435**	**21 472 672**	**1 460 670**	**22 933 342**

The accompanying notes are an integral part of these consolidated financial statements.

General Director Scherbina G. Ph.

Chief Accountant Ushakova E. V.

22 April, 2013

1. Key information about the Group

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 parent company of the Group – CJSC SSMO "LenSpetsSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of Charter was registered on 28.03.2012 r.

Principal subsidiaries of the Group are: CJSC "Aktiv", CJSC "SPb MFTC", OJSC "SMU "Electronstroy", CJSC "TSUN LenSpetsSMU", LLC "Vertikal", LLC "Daikar". LLC "UM Etalon".

Principal associates of the Group are: CJSC "LenSpetsSMU-Reconstruktsiya", CJSC "ZSM "Etalon", CJSC "Zatonskoe", CJSC "ART-Business-TV".

The parent company and the subsidiaries together hereinafter are referred to as "the Group". The Group's head office is located at Bogatyrskiy prospect, 2A, Saint-Petersburg.

At present the share of the building market falling on the objects erected by the holding "LenSpetsSMU" constitutes about 11,2% of the whole building market of Saint-Petersburg. For 12 months ended December 31, 2012 the Group has constructed buildings of total area of 287 367 sq.m. (31 December 2011: 228 998 sq.m.)

CJSC SSMO "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)

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

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

2. Basis of preparation

(a) Basic principles

Historical cost basis

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

Statement of compliance

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

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

Adoption of new and revised Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2012.

Standards issued but not yet effective

At the financial statements date, 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 2015
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
Numerous amendments to IAS 19 Employee Benefits	beginning on or after 1 January 2013
Amendments to IAS 32 «Financial Instruments Presentation» – offsetting of financial assets and liabilities	beginning on or after 1 January 2014
Amendments to IFRS 1 «First-time Adoption of IFRS» – government loans	beginning on or after 1 January 2013
Amendments to IFRS 7 «Financial Instruments: Disclosures» - offsetting of financial assets and liabilities	beginning on or after 1 January 2013
Annual improvements to IFRSs, published in May 2012 and affecting the following standards: IAS 1, IFRS 1, IAS 16, IAS 32, IAS 34.	beginning on or after 1 January 2013

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

(b) Consolidation and accounting for business combinations

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

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

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

<u>Business combinations and goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

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 shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

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

The consolidated financial statements include the following companies:

	Effective ownership interest	
	December 31, 2012	December 31, 2011
CJSC "TSUN LenSpetsSMU"	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 "UM Etalon"	57,39%	-

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

<u>Acquisitions from entities under common control</u>
Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in acquired entity's financial statements. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(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

	Effective ownership interest	
	December 31, 2012	December 31, 2011
CJSC "LenSpetsSMU-Reconstruktsiya"	25,00%	25,00%
CJSC "ZSM "Etalon"	45,00%	45,00%
CJSC "Zatonskoe"	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 9.

(d) Functional and presentation currency

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

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

(e) Going concern

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

(f) Use of estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.
Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 22 – revenue recognition;
- Note 12 – inventory obsolescence provisions;
- Note 21 – provisions;
- Note 33 – contingencies.

3. Significant accounting policies

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

(a) Intangible assets

Intangible assets include software, trademarks and licenses.

(i) Software

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Useful life and amortization of intangible assets

Intangible assets are amortized during their estimated useful lives. For the purposes of consolidated financial statements the following estimated useful lives are used:

Software	1-10 years
Trademarks	10 years

(b) Property, plant and equipment

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

(i) Carrying amount

Items of property, plant and equipment 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 property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items.

(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 property, plant and equipment. All other expenditure is recognized in the statement of comprehensive income for the reporting period as an expense as incurred.

(iii) Depreciation

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

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

(c) Investment property

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

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

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

(d) Financial assets

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

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

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss, that are initially recognised at fair value. 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 and quoted in an active market 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.

Fair values of securities held for trading that are not quoted in an active market are determined by using a valuation technique specifically designed by the Group.

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

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

A financial asset is derecognised when:

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

(e) Inventories

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

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

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

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

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

(f) Accounts receivable and prepayments

Accounts receivable and prepayments are stated at cost less provision for impairment.
Accounts receivable on principal activities include amounts due from individuals and legal entities for apartments.
Other accounts receivable include rent receivables, amounts due under agreements for sale of shares in garage-building cooperatives and other.

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts and highly liquid short-term (maturing within three months) bank deposits not bearing any agreed obligations.

(h) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.
The Group considers evidence of impairment for loans given and receivables at a specific asset level. All receivables and loans are assessed for specific impairment.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").
The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) 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.

(j) Advances received on principal activity and accounts payable

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

Accounts payable are stated at cost.

(k) 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.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for deferred works
The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on the budgeted project costs and contractual arrangements for the performance of such works.

(m) 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 reporting 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Revenue

Revenue from sale of goods (flats, commercial premises, construction materials) and services (rent, agent services)

Revenue from the sale of real estate properties is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from construction services

For accounting purposes the Group distinguishes two types of construction contracts:
1) Contracts for provision of construction services;
2) Contracts for construction of an asset falling within the scope of IAS 11 Construction Contracts.

For the first type of contracts revenue from construction services rendered is recognised in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(o) 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 reporting date. Income and expenses denominated in foreign currencies were translated at official exchange rates ruling at the dates of the transactions. Decrease or increase in assets and liabilities denominated in foreign currencies caused by changes in official exchange rate after date of transaction are recognized in profit or loss as foreign exchange gain or loss.

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

As at December 31, 2011 the official exchange rate was USD 32.1961 roubles, euro 41.6714 roubles. As at December 31, 2012 the official exchange rate was USD 30,3727 roubles, euro 40,2286 roubles.

4. Acquisition of subsidiary

In March 2012, the Group acquired 57,39% of the voting shares of LLC "UM "Etalon", an unlisted company incorporated and based in Russian Federation and specialising in leasing out of production equipment (tower cranes).

Key information on the transaction
Before acquisition by the Group, LLC "UM "Etalon" was the wholly owned subsidiary of CJSC "Managerial Company - Construction holding «Etalon-LenSpetsSMU». The Group obtained control over LLC "UM "Etalon" by acquiring all of its newly issued share capital by means of extinguishing of loans previously given to LLC "UM "Etalon" by CJSC SSMO "LenSpetsSMU" and CJSC "SPb MFTC".

Acquisition of this subsidiary was classified as a "combination involving entities or businesses under common control", for which IFRSs do not currently apply to. According to the Group's accounting policy, the Group recognised acquired assets and liabilities at the carrying amounts recognised previously in LLC "UM "Etalon" financial statements at the date of acquisition. The loans extinguished by the Group were recognised at their fair values at the date of acquisition, and the difference between the consideration transferred and the share of net assets acquired was recorded in "Retained earnings" component of equity.

The Group has elected to measure the non-controlling interest in the acquiree as proportionate share of identifiable net assets.

The information about carrying amounts of identifiable assets and liabilities that were previously recognised in the financial statements of LLC "UM "Etalon" at the date of acquisition is as follows:

'RR'000	Carrying value recognized on acquisition
Assets	
Property, plant and equipment and intangible assets	447 658
Inventories	4 614
Financial investments	50 309
Accounts receivable and prepayments	113 754
Deferred tax assets	31 670
Other current assets	321
Cash and cash equivalents	14 507
	662 833
Liabilities	
Loans and borrowings	2 211
Accounts payable and other liabilities	72 064
	74 275
Total identifiable net assets at fair value	**588 558**
Non-controlling interest	(77 507)
Share of net assets acquired	511 051
Excess of consideration transferred over the share of net assets acquired	77 409
Purchase consideration transferred	**588 460**

Cash in the amount of 'RR'000 14 507 acquired as a result of acquisition of subsidiary is included into the consolidated statement of cash flows.

5. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential development*. Includes construction of residential real estate (including flats, built-in premises, parking places).

- *Construction services*. Includes construction services for third parties.

- *Other operations*. Include production, construction of stand-alone premises for commercial use and sale of construction materials, and lease out of properties. None of these meet any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

Before 31 December 2011, segment information was prepared on an ad hoc basis and was not formalized. However, the new structure of the reporting for the future periods has been developed since that date. Segment information for the year ended 31 December 2011 has been recalculated according to the new structure and is presented below.

(a) Information about reportable segments

'RR'000	Residential development 2012	Residential development 2011	Construction services 2012	Construction services 2011	Other 2012	Other 2011	Total 2012	Total 2011
External revenues	19 383 753	15 932 318	2 854 022	554 235	2 705 563	1 657 815	**24 943 338**	**18 144 368**
Inter-segment revenue	-	-	-	-	689 057	474 094	**689 057**	**474 094**
Total segment revenue	19 383 753	15 932 318	2 854 022	554 235	3 394 620	2 131 909	**25 632 395**	**18 618 462**
Gross profit	7 178 470	6 440 848	457 901	36 206	805 099	527 622	**8 441 470**	**7 004 676**
Reportable segment assets: inventory	19 982 562	20 786 865	-	-	666 232	1 079 885	**20 648 794**	**21 866 750**
Reportable segment liabilities: advances from customers	7 734 776	8 717 642	3 737 613	799 455	41 580	55 239	**11 513 969**	**9 572 336**

(b) Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items

'RR'000	2012	2011
Revenues		
Total revenue for reportable segments	25 632 395	18 618 462
Elimination of inter-segment revenue	(689 057)	(474 094)
Consolidated revenue	24 943 338	18 144 368
Profit for the year		
Gross profit for reportable segments	8 441 470	7 004 676
General and administrative expenses	(1 588 342)	(1 290 533)
Selling expenses	(321 215)	(211 406)
Other expenses, net	(517 108)	(109 899)
Finance income	909 446	151 595
Finance costs	(90 674)	(788 681)
Share of profit of equity accounted investees	272 960	175 479
Consolidated profit before income tax	7 106 537	4 931 231
Assets		
Total assets for reportable segments: inventory	20 648 794	21 866 750
Total inventories	20 648 794	21 866 750
Liabilities		
Total liabilities for reportable segments: advances from customers	11 513 969	9 572 336
Total advances from customers	11 513 969	9 572 336

(c) Major customer

During the year ended 31 December 2012, revenue from one customer of the Group, included into the segment "Construction services" amounted to 'RR'000 2 762 892 or 11% of the Group's total revenue (year ended 31 December 2011: 'RR'000 185 123 or 1% of the Group's total revenue).

6. Property, plant and equipment

'RR'000	Land	Buildings and facilities	Machinery and equipment	Vehicles	Other	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	-	173 695	642 896	36 889	8 777	91 081	953 338
Acquisition of subsidiary		763	541 225	1 228	2 717	-	545 933
Disposals	-	(69 072)	(73 436)	(20 075)	(10 143)	(5 469)	(178 195)
At December 31, 2012	**9 188**	**491 483**	**1 681 648**	**65 272**	**28 867**	**88 385**	**2 364 843**
Depreciation							
At December 31, 2011	-	(117 180)	(376 013)	(25 380)	(21 649)	-	(540 222)
Depreciation charge for the period	-	(42 250)	(142 487)	(7 892)	(4 030)	-	(196 659)
Acquisition of subsidiary		(144)	(96 953)	(234)	(1 046)	-	(98 377)
Depreciation on disposals	-	32 451	20 828	8 938	4 627	-	66 844
At December 31, 2012	-	**(127 123)**	**(594 625)**	**(24 568)**	**(22 098)**	-	**(768 414)**
Net book value							
At December 31, 2011	**9 188**	**268 917**	**194 950**	**21 850**	**5 867**	**2 773**	**503 545**
At December 31, 2012	**9 188**	**364 360**	**1 087 023**	**40 704**	**6 769**	**88 385**	**1 596 429**
Cost							
At December 31, 2010	9 188	482 133	751 171	42 406	26 334	1 566	1 312 798
Additions	-	463 645	157 248	28 594	2 181	1 207	652 875
Disposals	-	(559 681)	(337 456)	(23 770)	(999)	-	(921 906)
At December 31, 2011	**9 188**	**386 097**	**570 963**	**47 230**	**27 516**	**2 773**	**1 043 767**
Depreciation							
At December 31, 2010	-	(130 300)	(432 028)	(24 752)	(18 147)	-	(605 227)
Depreciation charge for the period	-	(40 612)	(87 856)	(9 186)	(4 223)	-	(141 877)
Depreciation on disposals	-	53 732	143 871	8 558	721	-	206 882
At December 31, 2011	-	**(117 180)**	**(376 013)**	**(25 380)**	**(21 649)**	-	**(540 222)**
Net book value							
At December 31, 2010	**9 188**	**351 833**	**319 143**	**17 654**	**8 187**	**1 566**	**707 571**
At December 31, 2011	**9 188**	**268 917**	**194 950**	**21 850**	**5 867**	**2 773**	**503 545**

The Group acquired production equipment under a number of finance lease agreements during acquisition of LLC "UM Etalon". At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2012 the net book value of leased plant and machinery was 'RR'000 416 209. The leased equipment secures lease obligations.

7. Investment property

'RR'000	2012	2011
Cost		
At the beginning of the period	**248 211**	**646 959**
Additions	41 456	86 208
Disposals	(17 313)	(484 956)
At the end of the period	**272 354**	**248 211**
Depreciation		
At the beginning of the period	**(30 320)**	**(28 155)**
Depreciation charge for the period	(10 928)	(19 928)
Depreciation on disposals	1 586	17 763
At the end of the period	**(39 662)**	**(30 320)**
Net book value at the beginning of the period	**217 891**	**618 804**
Net book value at the end of the period	**232 692**	**217 891**

8. Intangible Assets

'RR'000	Software	Trademarks	Other intangibles	TOTAL
Cost				
At December 31, 2011	3 487	882	37	4 406
Additions	1 527	314	0	1 841
Disposals	(441)	-	-	(441)
At December 31, 2012	4 573	1 196	37	5 806
Amortization				
At December 31,2011	(1 539)	(411)	(17)	(1 967)
Amortization charge for period	(1 194)	(194)	(5)	(1 393)
Amortization on disposals	441	-	-	441
At December 31, 2012	(2 292)	(605)	(22)	(2 919)
Net book value				
At December 31, 2011	1 948	471	20	2 439
At December 31, 2012	2 281	591	15	2 887
Cost				
At December 31, 2010	7 882	623	37	8 542
Additions	1 185	259	-	1 444
Disposals	(5 580)	-	-	(5 580)
At December 31, 2011	3 487	882	37	4 406
Amortization				
At December 31,2010	(6 204)	(291)	(11)	(6 506)
Amortization charge for period	(915)	(120)	(6)	(1 041)
Amortization on disposals	5 580	-	-	5 580
At December 31, 2011	(1 539)	(411)	(17)	(1 967)
Net book value				
At December 31, 2010	1 678	332	26	2 036
At December 31, 2011	1 948	471	20	2 439

9. Investments in Associates

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

'RR'000	As at December 31, 2012	12 months ended December 31, 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-Reconstruktsiya"	39 678	-	7 027	-	-	32 651
CJSC "ZSM "Etalon"	81 221	-	15 643	-	-	65 578
CJSC "Zatonskoe"	2 127 429	-	250 290	-	-	1 877 139
CJSC "ART-Business-TV"	-	-		-	-	-
Total	2 248 328	-	272 960	-	-	1 975 368

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

'RR'000	As at December 31, 2012			As at December 31, 2011		
	Total assets	Total liabilities	Equity	Total assets	Total liabilities	Equity
CJSC "LenSpetsSMU-Reconstruktsiya"	498 930	340 219	158 711	884 039	753 435	130 604
CJSC "ZSM "Etalon"	196 221	15 729	180 492	153 014	7 285	145 729
CJSC "Zatonskoe"	13 026 890	12 203 987	822 903	6 929 331	6 614 941	314 390
CJSC "ART-Business-TV"	51 441	53 625	(2 184)	48 889	50 165	(1 276)

'RR'000	12 months ended December 31, 2012		12 months ended December 31, 2011	
	Revenue	Net profit / (losses)	Revenue	Net profit / (losses)
CJSC "LenSpetsSMU- Reconstruktsiya"	1 662 091	28 107	1 653 381	9 986
CJSC "ZSM "Etalon"	242 729	34 763	220 524	37 818
CJSC "Zatonskoe"	1 329 096	508 513	488 374	317 065
CJSC "ART-Business-TV"	-	(908)	-	(764)

10. Long-term financial investments

'RR'000	As at December 31,2012	As at December 31,2011
Loans given	15 087	548 072
Investments in share capital of other entities	435	435
Impairment provision in respect of investments in share capital of other entities	(380)	(380)
Total Long-term financial investments	**15 142**	**548 127**

Loans given to legal entities are denominated in Russian roubles and are stated at amortized cost. The effective interest rate as at December 31, 2012 was 11,87% and as at December 31, 2011 was 12.25% correspondingly.

11. Deferred taxation

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

'RR'000	As at December 31, 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
Changes in deferred tax included into the Statement of comprehensive income (Note 29)	(195 264)
Acquired through business combination	31 670
Net deferred tax at the end of the period	(97 104)
Including:	
Deferred tax asset	**109 598**
Deferred tax liability	**(206 702)**

The analysis of deferred tax assets and liabilities:

'RR'000	As at December 31, 2012	As at December 31, 2011
Property, plant and equipment and intangible assets	95 105	95 609
Financial assets	3 987	72
Loans given	407	16 515
Bank and corporate borrowings	13 663	13 648
Inventories	520 152	456 920
Trade accounts receivable	59 323	72 512
Trade accounts payable	2 349 499	1 781 865
Prepaid expenses	264	3 725
Provisions	69 808	78 174
Tax losses	93 359	1 251
Other	272	415
Deferred tax asset:	**3 205 839**	**2 520 706**
Offsetting deferred tax assets and liabilities*	(3 096 241)	(2 356 108)
Net deferred tax assets	**109 598**	**164 598**

'RR'000	As at December 31, 2012	As at December 31, 2011
Property, plant and equipment and intangible assets	(51 616)	(572)
Financial assets	(75 768)	(47 233)
Bank and corporate borrowings	(14 624)	(10 867)
Inventories	(2 384)	(7 406)
Trade accounts receivable	(746 810)	(27 297)
Trade accounts payable	(2 364 778)	(2 325 262)
Advances received	(18 633)	(35 578)
Provisions	(6 734)	-
Other current assets	(21 596)	(1)
Deferred tax liability:	**(3 302 943)**	**(2 454 216)**
Offsetting deferred tax assets and liabilities*	3 096 241	2 356 108
Net deferred tax liability	**(206 702)**	**(98 108)**
Net deferred tax at the end of the period	**(97 104)**	**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.*

12. Inventories

'RR'000	As at December 31, 2012	As at December 31, 2011
Construction in progress of apartment building objects	9 889 979	10 197 831
Construction in progress of garage building objects	617 783	537 087
Total construction in progress	**10 507 762**	**10 734 918**
Apartments – finished goods	7 434 920	7 591 051
Built-in premises (non-residential)	2 984 491	3 409 861
Apartments for resale	33 836	44 545
Concrete and reinforced concrete items	6 339	4 989
Food	142	116
Other	5 044	862
Provision for impairment of goods	(368 193)	(26 980)
Total finished products and goods for resale	**10 096 579**	**11 024 444**
Construction materials	21 069	97 779
Fuel	3 021	6 321
Inventories and utilities	9 556	1 798
Special clothing	760	568
Other inventories	10 727	1 764
Provision for impairment of materials	(680)	(842)
Total raw materials	**44 453**	**107 388**
Total inventories	**20 648 794**	**21 866 750**

The amount of provision for impairment of goods of 'RR'000 361 533 (31 December 2011: nil) out of 'RR'000 368 193 relates to one item of stand-alone commercial property. The allowance, in the absence of the market transactions for sale and purchase of similar assets, was estimated using future cash flow techniques Cash flows were estimated as if the property has been rented out. At 31 December 2012 the gross value of the property item equals to 'RR'000 999 360 (31 December 2011: 'RR'000 983 043).

The construction in progress includes apartments under construction, infrastructure and non-residential property. Items of construction in progress in total amount of 10 507 762 thousand roubles are listed below:

'RR'000	31 December 2012			31 December 2011		
	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Lastochkino Gnezdo	3 554 316	377 522	3 931 838	738 062	7 271	745 333
Samotsvety	1 457 205	-	1 457 205	908 813	-	908 813
Letniy	1 097 949	8 749	1 106 698	390 314	283	390 597
HC Moscow, Starokrymskaya, 13	1 005 912	-	1 005 912	632 398	-	632 398
Molodezhniy	919 307	23 420	942 727	4 719	-	4 719
Tsarskaya stolitsa	577 139	137 098	714 237	89 430	-	89 430
Galant	672 612	41 535	714 147	431 388	-	431 388
Rechnoy	205 324	3 776	209 100	-	-	-
Dom na Koroleva	157 282	725	158 007	147 263	670	147 933

'RR'000	31 December 2012			31 December 2011		
	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Technopark	10 034	24 958	34 992	7 229	24 957	32 186
Galaktika	12 848	-	12 848	-	-	-
Moskovskiy	-	-	-	17 879	-	17 879
Orbita	-	-	-	3 095 028	236 248	3 331 276
Yubileinyi Kvartal	-	-	-	2 102 454	166 852	2 269 306
Etyud	-	-	-	691 874	56 402	748 276
Prestige	-	-	-	693 853	44 402	738 255
Infrastructure items	75 226	-	75 226	242 841	-	242 841
Other	144 825	-	144 825	4 286	2	4 288
Total	9 889 979	617 783	10 507 762	10 197 831	537 087	10 734 918

The analysis evidences that that in 2012 the largest non-completed item was housing complex "Lastochkino Gnezdo.

13. Short-term investments

'RR'000	As at December 31, 2012	As at December 31, 2011
Deposits	6 744 045	2 133 000
Financial assets held-for-trading	2 730 394	1 983 800
Loans given to legal entities	18 206	52 177
Total short-term investments	**9 492 645**	**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 acquired bank deposits totaling 'RR'000 6 744 045 for the period of 94-362 days at the effective interest rate of 6,47%.

14. Accounts receivable and prepayments

'RR'000	As at December 31, 2012	As at December 31, 2011
Long-term	**16 851**	**1 832**
Prepayments to suppliers on principal activities	16 851	1 832
Short-term	**13 228 843**	**7 873 517**
Trade accounts receivable	1 787 084	1 301 692
Accounts receivable in form of promissory notes	143 114	221 801
Prepayments to suppliers on principal activities	8 904 198	5 149 960
VAT recoverable	666 139	232 852
Other taxes recoverable	3 148	1 664
Other receivables	1 788 118	1 066 464
Provision for bad and doubtful debts	(62 958)	(100 916)
Total accounts receivable and prepayments	**13 245 694**	**7 875 349**

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

'RR'000	2012
As at January 1, 2012	**(100 916)**
Charge in the period	(40 602)
Balances written off	6 187
Unused provision released	72 373
As at December 31, 2012	**(62 958)**

Accounts receivable arise from the Group principal activities including sale of constructed items and construction works.

The major counterparts for prepayments are GUP "Vodokanal" (connecting to water supply), LLC "Peterburgskiy Vzglyad" (prepayment for a plot of land), OJSC "Teploset' Sankt-Peterburga" (connecting to heat supply), LLC "LSS Varshavskaya (prepayment for a plot of land), LLC "LSS-story" (investments in construction).

15. Other current assets

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

Prepaid expenses are analysed as following:

'RR'000	As at December 31, 2012	As at December 31, 2011
Insurance	35 056	23 708
Other	551	13
Total other current assets	**35 607**	**23 721**

16. Cash and cash equivalents

'RR'000	As at December 31, 2012	As at December 31, 2011
Cash in hand	1 718	1 449
Cash in bank — rouble accounts	217 456	182 274
Cash in bank — foreign currency accounts	4 067	12 192
Short-term bank deposits	4 631 227	3 122 587
Other cash and cash equivalents	14 950	2 900
Total cash and cash equivalents	**4 869 418**	**3 321 402**

17. Share capital

At 31 December 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 (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
Issued during the year	10 500 000	2 100 000
As at December 31, 2011	10 501 000	2 101 237
As at December 31, 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.

All of the 10 500 thousand shares issued in 2011 were purchased by the Company's immediate parent CJSC "Managerial company-Construction holding "Etalon-LenSpetsSMU" at par value 200 roubles per share.

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated	**2012**	**2011**
Issued shares at 1 January	10 501 000	1 000
Effect of shares issued in December	-	316 438
Weighted average number of shares for the year ended 31 December	10 501 000	317 438
Profit attributable to the owners of the Company, RR'000	5 493 938	3 782 880
Basic and diluted earnings per share, RR'000	0,52	11,92

The shareholders of the Company as at December 31, 2012 are listed below:

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

Dividends

No dividends were declared or paid by the Group in both 2012 and 2011.

18. Loans and borrowings

'RR'000	As at December 31, 2012	As at December 31, 2011
Long-term loans and borrowings		
Bank loans (principal amount)	4 171 160	3 654 569
Corporate loans (principal amount)	7 689 310	4 797 897
	11 860 470	**8 452 466**
Short-term loans and borrowings		
Bank loans (principal amount)	798 000	152 822
Bank loans (interest accrued)	13 363	13 243
Corporate loans (principal amount)	1 954 853	1 687 173
Corporate loans (interest accrued)	89 021	85 252
	2 855 237	**1 938 490**
Total loans and borrowings:	**14 715 707**	**10 390 956**

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2012 Face value	December 31, 2012 Carrying amount	December 31, 2011 Face value	December 31, 2011 Carrying amount
Secured bank loans				**2 828 504**	**2 828 504**	**1 458 137**	**1 458 137**
Secured bank loan	EUR	EURIBOR 6M+5,25%	2014	1 352 644	1 352 644	1 241 958	1 241 958
Secured bank loan	EUR	EURIBOR 6M+3,85%	2015	876 150	876 150	216 179	216 179
Secured bank loan	EUR	EURIBOR 6M+3,2%	2017	599 710	599 710	-	-
Unsecured bank loans				**2 154 019**	**2 154 019**	**2 362 497**	**2 362 497**
Unsecured bank loan	USD	LIBOR 3M+6,5%	2014	290 586	290 586	468 575	468 575
Unsecured bank loan	USD	LIBOR 3M+6,5%	2014	607 453	607 453	643 922	643 922
Unsecured bank loan	RUB	9,00%	2013	5 980	5 980	-	-
Unsecured bank loan	RUB	9,50%	2015	1 250 000	1 250 000	1 250 000	1 250 000
Unsecured loans				**9 806 847**	**9 733 184**	**6 623 651**	**6 570 322**
Unsecured bonds	RUB	16,00%	2012		-	806 320	802 381
Unsecured bonds	RUB	14,50%	2013	609 300	608 359	1 522 040	1 516 803
Unsecured bonds	RUB	12,90%	2017	5 022 950	4 997 829	-	-
Unsecured bonds	USD	9,75%	2015	4 049 085	4 024 280	4 290 481	4 246 328
Unsecured loan	RUB	3,85%	2016	37 730	35 220		-
Unsecured loan	RUB	3,85%	2016	82 680	62 394	-	-
Other unsecured loans	RUB	0,5%-5%	2013-2014	5 102	5 102	4 810	4 810
Total loans				**14 789 370**	**14 715 707**	**10 444 285**	**10 390 956**

Bank loans are secured by mortgage of land plots with a carrying amount of 'RR'000 6 088 (mortgage value 'RR'000 47 722), buildings with a carrying amount of 'RR'000 145 099 (mortgage value 'RR'000 170 281), goods with a carrying amount of 'RR'000 447 304 (mortgage value 'RR'000 427 135).

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. None of the restrictive covenants have been breached during the reporting period.

(a) Bank loans and borrowings

'RR'000	As at December 31, 2012
Balance at the beginning of the year (principal amount), undiscounted	**3 807 391**
Received (principal amount)	2 733 112
- *including foreign exchange difference*	*368 350*
Repaid (principal amount)	(1 571 343)
- *including foreign exchange difference*	*(462 030)*
Balance at the end of the year (principal amount)	**4 969 160**
Balance at the beginning of the year (interest)	**13 243**
Charged to expenses (interest)	1 517
Capitalized (interest)	291 244
-including foreign exchange difference	*1 517*
Interest paid	(292 641)
-including foreign exchange difference	*(1 876)*
Balance at the end of the year (interest)	**13 363**
Balance at the end of the year (principal amount) analysed by currency	**4 969 160**
- Russian roubles	1 255 980
- US dollars	895 788
- Euro	2 817 392
Totalloans and borrowings (principal amount) at the end of year,undiscounted	**4 969 160**
Payable within 12 months after the financial statement date (principal amount)	798 000
Payable within 2 years after the financial statement date	1 634 683
Payable within 3 years after the financial statement date	2 536 477
Payable within 4 years after the financial statement date	
Payable within 5 years after the financial statement date	-
Total loans and borrowings (interest) at the end of the year	**13 363**
Payable within 12 months after the financial statement date	13 363
Total amount payable (principal amount and interest) at the end of the year, undiscounted	**4 982 523**
Total amount payable (principal amount and interest) at the end of the year, amortized cost	**4 982 523**
Including interest	13 363

(b) Corporate loans

'RR'000	As at December 31, 2012
Balance at the beginning of the year (principal amount), undiscounted	**6 538 399**
Received (principal amount)	5 866 330
-including foreign exchange difference	*687 030*
Repaid (principal amount)	(2 720 340)
Recognized gain	(302)
-including foreign exchange difference	*(960 540)*
Repurchased obligations	*33 739*
Balance at the end of the year (principal amount)	**9 717 826**
Balance at the beginning of the year (interest)	**85 252**
Charged to expenses (interest)	91 895
Capitalized (interest)	654 352
-including foreign exchange difference	*2 804*
Effect on accounts receivable	(76)
Repaid (interest)	(743 202)
	(45)
-including foreign exchange difference	*(6 920)*
Repurchased obligations	845
Balance at the end of the year (interest)	**89 021**
Balance at the end of the year (principal amount) analyzed by currency	**9 717 826**
- Russian roubles	5 723 906
- US dollars	3 993 920
Total amount payable at the end of the year (principal amount and interest), undiscounted	**9 806 847**
Payable within 12 months after the financial statement date (principal amount)	1 992 795
Payable within 12 months after the financial statement date (interest)	89 021
Payable within 2 years after the financial statement date	1 549 608
Payable within 3 years after the financial statement date	1 643 418
Payable within 4 years after the financial statement date	2 282 000
Payable within 5 years after the financial statement date	2 250 005
Total amount payable (principal amount and interest) at the end of the year, amortized cost	**9 733 184**

Effective capitalization rate during the year ended December 31, 2012 was 8,08%.

19. 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.

20. Accounts payable and other liabilities

'RR'000	As at December 31, 2012	As at December 31, 2011
Non-current liabilities	**110 663**	**5 476**
Finance lease liabilities	110 554	-
Other payables	109	5 476
Current liabilities	**2 686 668**	**2 360 628**
Accounts payable — trade	1 701 186	1 479 461
Wages and salaries payable	120 744	62 416
VAT payable	522 445	409 057
Other taxes payable	61 667	25 022
Finance lease liabilities	58 151	
Other payables	222 475	384 672
Total accounts payable	**2 797 331**	**2 366 104**

Finance lease liabilities are payable as follows:

'RR'000			2012
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	75 762	17 611	58 151
Between one and five years	141 519	30 965	110 554
	217 281	**48 5761**	**168 705**

Terms and conditions of outstanding finance lease liabilities were as follows:

Currency	Nominal interest rate	Year of maturity	As at December 31, 2012	
			Face value	Carrying amount
RUB	17,71%, 24,27%	2013 - 2015	168 705	168 705

Financial lease liabilities were acquired in conjunction with the acquisition of LLC "UM-Etalon". There were no financial lease liabilities at December 31, 2011.

21. Provisions

'RR'000	As at December 31, 2012	As at December 31, 2011
Provision for deferred works, short-term	539 766	924 573
Provision for court litigations	9 575	300
Total provisions	**549 341**	**924 873**

Movements in provisions are presented below:

'RR'000	2012
Provision for deferred works, short-term	
As at January 1, 2012	**924 573**
Provisions made during the year	860 154
Provisions used during the year	(1 234 817)
Unused provision released	(10 144)
As at December 31, 2012	**539 766**

'RR'000	2012
Provision for court litigations	
As at January 1, 2012	**300**
Provisions made during the year	9 575
Provisions used during the year	(300)
As at December 31, 2012	**9 575**

22. Revenue

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Commissioning of construction objects	10 852 432	5 748 962
Finished goods - apartments	7 431 117	8 923 086
Building and assembly works	2 854 022	554 235
Built-in premises (non residential)	1 093 702	1 255 560
Rent	765 756	333 134
Concrete and ferroconcrete production	524 979	547 409
Agent services	477 811	423 843
Auto services sales	107 481	81 320
Resale of apartments	6 502	4 710
Sale of other works and services	431 055	214 450
Other products, goods, materials	398 481	57 659
Total revenue	**24 943 338**	**18 144 368**

23. Cost of sales

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Commissioning of construction objects	7 676 360	4 081 230
Finished goods - apartments	3 820 781	4 626 733
Building and assembly works	2 396 121	518 029
Other products, goods, materials	893 999	546 654
Built-in premises (non residential)	702 331	776 764
Wages, salaries and other personnel expenses	422 588	202 212
Depreciation of property, plant and equipment	169 430	123 034
Maintenance expenses	133 427	29 326
Repair and maintenance	13 711	9 325
Depreciation of investment property	11 301	9 872
Resale of apartments	5 811	6 743
Other services	256 008	209 770
Total cost of sales	**16 501 868**	**11 139 692**

24. Long-term construction contracts

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

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

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Revenue from long-term construction contracts in the reporting period	2 832 547	422 955
Cost incurred under long-term construction contracts in the reporting period	(2 353 753)	(409 457)
Total profit recognized under long-term construction contracts	**478 794**	**13 498**
Aggregated cost incurred and recognized profit under long-term construction contracts outstanding at the end of reporting period	3 157 131	331 066
Unbilled receivables	-	232 949
Billings in excess of work completed	10 337	5 517
Advances for which the related work has not started	3 737 613	799 455
Retentions relating to construction contracts	123 507	-

25. Selling expenses

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Advertisement and marketing	220 016	180 288
Agency services	92 940	23 007
Other	8 259	8 111
Total selling expenses	**321 215**	**211 406**

26. General and administrative expenses

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Wages, salaries and other personnel expenses	935 048	770 900
Management services	392 958	317 232
Maintenance services	107 214	68 395
Security service	56 146	31 726
Consulting, legal, audit services	22 360	26 856
Rent	9 462	10 602
Depreciation of property, plant and equipment	5 274	5 846
Transportation expenses	3 407	4 440
Depreciation of intangible assets	1 392	1 041
Other	55 081	53 495
Total general and administrative expenses	**1 588 342**	**1 290 533**

27. Other operating income/(expenses), net

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Net income from sale of financial assets	73 326	26 308
Change in bad debts provision	31 771	63 254
Income from sale and other disposal of tangible assets	30 267	(72 151)
Change in provision for impairment of inventories	16 692	(136)
Unused provisions for carried over works written off	10 144	39 940
Fines, penalties and forfeits receivable	8 292	13 086
Income / (expenses) from accounts receivable / (payable) write-off	4 850	(373)
SPA settlements after commissioning of the house by State commission	259	584
Change in provision for impairment of investments	-	4 290
Change in provision for ongoing court litigations	(2 440)	60 800
Fines, penalties and forfeits payable	(5 272)	(2 501)
Warranties	(5 453)	(55 984)
Charity	(5 888)	(7 647)
Expenses on social objects maintenance	(8 306)	(17 388)
Losses of the previous years	(12 427)	(19 078)
Compensation of other operations costs	(16 013)	68 631
Social expenses and other payments to employees	(23 700)	(15 460)
Bank commissions	(46 653)	(33 195)
Change in provision for impairment of goods	(366 274)	(22 025)
Other income / (expenses)	(23 201)	(8 265)
Total other operating income	**(340 026)**	**22 690**

28. Net finance income/(expenses)

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Interest income	512 104	123 618
Net foreign exchange gain / (loss)	301 584	(570 293)
Amortization of financial assets	95 758	27 977
Finance lease costs	(1 582)	-
Interest expense	(89 092)	(218 388)
Total net financial expenses	**818 772**	**(637 086)**

29. Income tax

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

(a) Income tax expense

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Current income tax expense	(1 270 371)	(1 364 774)
(Expenses) / income from origination and reversal of temporary differences	(195 264)	366 298
Total income tax expense	**(1 465 635)**	**(998 476)**

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

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Profit before income tax	7 106 537	4 931 231
Theoretical tax charge at the applicable statutory rate on reporting date (20%)	(1 421 307)	(986 246)
Adjustments for items of expenses which are not deductible for taxation purposes	(44 328)	(12 230)
Total income tax expense	**(1 465 635)**	**(998 476)**

30. Related-party transactions

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

'RR'000	12 months ended December 31, 2012	12 months ended December 31, 2011
Key management personnel	161 079	92 516

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

'RR'000	Associated companies		Jointly controlled entities	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Long-term loans given				
Loans given (principal amount)	-	-	360	508 108
Short-term loans given				
Loans given (principal amount)	-	-	-	9 145
Loans given (interest)	-	-	8	4 383
Short-term accounts receivable and prepayments				
Trade accounts receivable	43 692	24 830	181 543	175 453
Accounts receivable in form of promissory notes	-	-	131 088	221 109
Prepayments to suppliers on principal activities	2 102 917	2 183 585	213 669	54 769
Other receivables	176	2	655 661	767 160

'RR'000	Associated companies		Jointly controlled entities	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Short-term loans and borrowings				
Corporate borrowings (principal amount)	-	-	4 900	4 400
Corporate borrowings (interest accrued)	-	-	198	57
Short-term accounts payable				
Advances received	-	-	576	68 667
Trade accounts payable	185 523	211 776	579 409	598 916
Other accounts payable	-	-	6 306	38 139
Notes payable	-	-	6 704	-

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

'RR'000	Associated companies		Jointly controlled entities	
	12 months ended December 31, 2012	12 months ended December 31, 2011	12 months ended December 31, 2012	12 months ended December 31, 2011
Revenue	306 633	252 596	1 171 786	553 272
Cost of sales	(426 392)	(146 523)	(730 943)	(92 660)
Selling expenses	-	-	(59 538)	(34 135)
General and administrative expenses	-	(599)	(410 830)	(331 231)
Other income	4 849	1 625	21 918	213 787
Other expenses	(100)	(5 348)	(36 164)	(20 117)

31. Financial risk management

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

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

Credit risk

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

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

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

Liquidity risk

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

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

December 31, 2012 'RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings (including future interest expense)	4 160 578	14 324 777	-	18 485 355
Trade and other payables	2 102 556	110 663	-	2 213 219
Provisions	549 341	-	-	549 341
Total	**6 812 475**	**14 435 440**	**-**	**21 247 915**

December 31, 2011 'RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings (including future interest expense)	2 959 943	9 559 282	-	12 519 225
Trade and other payables	1 926 549	5 476	-	1 932 025
Provisions	924 873	-	-	924 873
Total	**5 811 365**	**9 564 758**	**-**	**15 376 123**

Foreign currency risk

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

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

At December 31, 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'000 696 158 (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 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.

Fair values versus carrying amounts

Management believes that the fair values of the Group's financial assets and liabilities approximate their carrying amounts.

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.

32. Industry risk management

The Group is a member of the holding CJSC "Managerial Company - Construction holding «Etalon-LenSpetsSMU" (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. 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 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 Etalon Group 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.

33. Contingencies

Russian business environment

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

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 issued

As at December 31, 2012 the Group's companies issued guarantees amounting to 'RR'000 229 357 (2011 – 'RR'000 193 492).

34. Events subsequent to the reporting date

As at 16.01.2013 the Company repaid the first tranche of credit line granted by OJSC "Alfa-Bank" (import-export financing of the project "Yubileiny kvartal 78A block 2») in the amount of '000 EUR 8 544. The outstanding balance of the credit line reduced to '000 EUR 25 060.

As at 04.02.2013 the Company repaid the fourth tranche of the non-renewable credit line granted by CJSC "Raiffeisenbank" in the amount of '000 USD 1 582 and fully repaid the outstanding balance of the credit line in the amount of '000 USD 7 911.

As at 11.02.2013 the Company made the first payment of principle on the loan granted by North Star SA in the amount of '000 USD 16 500 and interest in the amount of '000 USD 3 738.

As at 21.02.2013 the Company paid the 11-th coupon of its BO-02 series bonds (4B02-02-17664-J dated April 12, 2010) in the amount of 'RR'000 21 700.

As at 19.03.2013 the Company paid the 1-st coupon of its 02 series bonds (4-02-17664-J dated November 20, 2012) in the amount of 'RR'000 160 800.

From January till March 2013, the Group received 3 tranches of credit line granted by OJSC "Alfa-Bank" (import-export financing of the project "Lastochkino Gnezdo", 1st turn) in the amount of '000 EUR 4 297. The outstanding balance of the credit line increased to '000 EUR 19 199.

From January till March 2013, OJSC "Daikar" obtained loans from OJSC "Etalon-Invest" for the total amount of '000 RR 84 100.

On 09.04.2013, the Group received the first tranche of loan from CJSC "Bank of China (ELUOSI)" in the amount of '000 RR 30 000.