Original in Russian language

Group of companies “LenSpetsSMU”

Interim consolidated financial statements prepared under IFRS

for 6 months ended June 30, 2011

Contents

	Notes	As at June, 30 2011 RR'000	As at December 31, 2010 '000 RR
ASSETS			
Non-current assets			
Fixed assets	5	704 504	707 571
Investment property	6	542 946	618 804
Intangible assets	7	2 481	2 036
Investments in associates	8	1 808 150	1 799 889
Long-term financial investments	9	534 403	1 602 233
Deferred tax assets	10	124 232	157 128
		3 716 716	**4 887 661**
Current assets			
Inventories	11	21 368 750	20 322 363
Short-term investments	12	3 224 689	1 656 971
Accounts receivable and advances	13	5 131 720	4 660 162
Income tax receivable		30 647	14 098
Other current assets	14	2 503	2 396
Cash and cash equivalents	15	1 636 391	2 751 286
		31 394 700	**29 407 276**
Total assets		**35 111 416**	**34 294 937**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	1 237	1 237
Retained earnings		12 035 300	10 172 026
		12 036 537	10 173 263
Non-controlling interests		1 144 786	1 086 323
Total equity		**13 181 323**	**11 259 586**
Non-current liabilities			
Long-term borrowings	17	7 590 881	7 762 080
Deferred tax liabilities	10	30 036	456 936
		7 620 917	**8 219 016**
Current liabilities			
Short-term borrowings	17	1 653 524	1 401 875
Advances received on principal activity	18	9 698 465	10 019 434
Accounts payable and other liabilities	19	2 948 574	2 961 619
Income tax payable		8 613	433 407
		14 309 176	**14 816 335**
Total equity and liabilities		**35 111 416**	**34 294 937**

The interim consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–26.

General Director Scherbina G. Ph.

Chief Accountant Ignatyeva L. M.

September, 23 2011

	Notes	6 months ended June 30, 2011 '000 RR	6 months ended June 30, 2010 '000 RR
Revenue	20	7 080 786	8 557 867
Cost of sales	21	(3 990 118)	(4 575 227)
Gross profit		**3 090 668**	**3 982 640**
Selling expenses	22	(91 913)	(76 498)
General and administrative expenses	23	(567 956)	(447 937)
Taxes, other than income tax		(61 223)	(68 527)
Other operating expenses (net)	24	(85 295)	122 525
Operating profit		**2 284 281**	**3 512 203**
Share in profit of associates		8 261	(2 388)
Net finance expenses	25	110 829	(280 425)
Profit before income tax		**2 403 371**	**3 229 390**
Income tax	26	(481 634)	(690 320)
Net profit for the year*		**1 921 737**	**2 539 070**
Attributable to:			
Equity holders of the parent		**1 863 274**	**2 497 016**
Non-controlling interests		**58 463**	**42 054**
Basic and diluted earnings per share		**1 863,27**	**2 497,02**

*-No Other comprehensive income was recognized by the Group in both 6 months of 2011 and 2010.

The interim consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–26.

General Director Scherbina G. Ph.

Chief Accountant Ignatyeva L. M.

September, 23 2011

	6 months ended June 30, 2011 '000 RR	6 months ended June 30, 2010 '000 RR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax:	2 403 371	3 229 390
Adjustments for:	**(122 981)**	**189 705**
Depreciation and amortization	*96 177*	*86 780*
Profit from sale of financial assets	*(18 347)*	*(46 105)*
Profit from disposal of subsidiaries	-	*(123 519)*
Provision for impairment of inventories	*1 823*	*(2 887)*
Provision for bad debts	*(57 470)*	*(8 978)*
Provision for ongoing court litigations	*(750)*	*5 465*
Provision for impairment of investments	*(71)*	-
Foreign exchange loss	*(190 486)*	*77 082*
Interest expense	*151 225*	*391 952*
Interest income	*(57 814)*	*(47 646)*
Changes in amortized cost of financial assets	*(13 754)*	*(140 963)*
Share in profit of associates	*(8 261)*	*2 388*
Profit from disposal of non-current assets	*(23 266)*	*(4 186)*
Other income and expenses	(1 987)	*322*
Operating profit before changes in working capital	**2 280 390**	**3 419 095**
(Increase) in trade accounts receivables and advances	(432 174)	(618 095)
(Increase) / decrease in inventories	(547 546)	2 776 245
Decrease in trade payables and advances received	(792 814)	(4 866 100)
(Increase) in other assets and liabilities	(107)	(3 027)
Cash (used in)/ generated from operations	**507 749**	**708 118**
Income taxes paid	(1 314 655)	(561 948)
Net cash (used in)/ from operating activities	**(806 906)**	**146 170**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(89 237)	(29 418)
Proceeds from sale of fixed and intangible assets	68 127	21 822
(Purchase)/sale of securities and other financial assets	1 114 364	202 261
Purchase of associates	-	(91 000)
Purchase and disposal of subsidiaries	-	142 099
Proceeds from repayment of bank deposits	(1 315 954)	-
Disbursement of loans	(34 590)	(96 295)
Repayments of loans	148 932	2 602
Interest received	54 897	35 086
Net cash used in investing activities	**(53 461)**	**187 157**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2 302 224	4 523 141
Repayment of borrowings	(1 883 351)	(5 121 794)
Interest paid	(519 569)	(400 764)
Net cash flows from (used in) financing activities	**(100 696)**	**(999 417)**
Effect of exchange rate changes on cash and cash equivalents	(153 832)	(11 431)
Net decrease in cash and cash equivalents	**(1 114 895)**	**(677 521)**
Cash and cash equivalents at the beginning of the period	**2 751 286**	**2 157 755**
Cash and cash equivalents at the end of the period	**1 636 391**	**1 480 234**

The interim consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–26.

General Director Scherbina G. Ph.

Chief Accountant Ignatyeva L. M.

September, 23 2011

RR'000	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 01, 2010	**1 237**	**6 431 868**	**6 433 105**	**1 026 921**	**7 460 026**
Net profit for the period	-	2 497 016	2 497 016	42 054	2 539 070
Balance at June 30, 2010	**1 237**	**8 928 884**	**8 930 121**	**1 068 975**	**9 999 096**
Balance at January 01, 2011	**1 237**	**10 172 026**	**10 173 263**	**1 086 323**	**11 259 586**
Net profit for the period	-	1 863 274	1 863 274	58 463	1 921 737
Balance at June 30, 2011	**1 237**	**12 035 300**	**12 036 537**	**1 144 786**	**13 181 323**

The interim consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 7–26.

General Director Scherbina G. Ph.

Chief Accountant Ignatyeva L. M.

September, 23 2011

1. Principal activities

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

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

The parent company – Closed joint stock company Specialized Building and Assembly Association "LenSpetsSMU" was registered under the Resolution of the Registration chamber of Saint-Petersburg dated 28.12.1995. The last edition of Charter was registered on 28.12.2007.

CJSC Specialized Building and Assembly Association "LenSpetsSMU" and its subsidiary CJSC "SPb MFTC" are members of self-regulated organization based on membership of bodies performing building and construction works – Not-for-profit partnership "Association of constructors of Saint Petersburg", registration number CPO-C-003-22042009:
- 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).

Main subsidiaries are: CJSC "AKTIV", CJSC "SPb MFTC", OJSC "SMU "Electronstroy", CJSC "CUN", LLC "Vertikal", LLC "Daikar".

Main associated companies are CJSC "LenSpetsSMU-Reconstruction", CJSC "Building materials factory "Etalon", CJSC "ZATONSKOYE", CJSC "ART-BUSINESS-TV".

The parent company and the subsidiaries are named hereinafter "the Group". Shareholders of the parent are legal entity and individual, a citizen of the Russian Federation. The parent's head office is located in Saint-Petersburg at the following address: 197348, Saint-Petersburg, Bogatyrskiy prospect, 2, litera A.

Russian business environment

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

2. Basis of preparation

(a) Statement of compliance

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

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

Adoption of new and revised Standards

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

(b) Consolidation and accounting for business combinations

Subsidiaries are the legal entities (including special purpose entities), where the Group has the power to govern the financial and operating policies (to control) as a result of:
- power over more than one-half of the voting rights of the other entity, or

- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the subsidiary, or,
- power to govern the financial and operating policies of the other entity under other reasons.

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

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

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

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

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

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

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

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

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

The consolidated financial statements include the following companies:

	Ownership	
	June 30, 2011	December 31, 2010
CJSC "CUN"	40,00%	40,00%
CJSC "SPb MFTC"	61,00%	61,00%
CJSC "AKTIV"	100,00%	100,00%
OJSC "SMU "Electronstroy"	99,24%	99,24%
LLC "Vertikal"	100,00%	100,00%
LLC "Daikar"	95,00%	95,00%

RR'000	June 30, 2011			December 31, 2010		
	Total, assets	Equity	Net profit (loss) for the 6 months 2011	Total, assets	Equity	Net profit (loss) for the 6 months 2010
CJSC "CUN"	1 505 133	751 527	60 430	1 615 340	691 096	54 255
CJSC "SPb MFTC"	1 957 366	1 713 367	56 702	2 243 823	1 656 664	25 581
CJSC "AKTIV"	1 140 826	1 109 423	48 004	1 085 356	1 061 419	9 766
OJSC "SMU "Electronstroy"	148 081	110 179	17 231	128 659	92 948	(3 977)
LLC "Kamenka"	-	-	-	-	-	(629)
LLC "Vertikal"	8 879	8 871	(56)	8 930	8 928	(22)
LLC "Daikar"	905 321	496 690	(808)	830 754	497 498	-
Amounts excluded at consolidation	(3 641 213)	(1 903 201)	153 006	(3 537 484)	(1 626 935)	41 673
TOTAL	**2 024 393**	**2 286 856**	**334 509**	**2 375 378**	**2 381 618**	**126 647**

The share of LenSpetsSMU in the authorized capital of the company CJSC 'CUN" constitutes 40%, but the characteristics of relations between CJSC SSMO 'LenSpetsSMU' and CJSC 'CUN" allow considering strong control and, as a consequence, to include CJSC 'CUN' in the group of subsidiaries.

(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 income statement reflects 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 are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Associated companies accounted using equity method

	Ownership	
	June 30, 2011	December 31, 2010
CJSC "LenSpetsSMU-Reconstruction"	25,00%	25,00%
CJSC "Building materials factory "Etalon"	45,00%	45,00%
CJSC "ZATONSKOYE"	49,22%	49,22%
CJSC "ART-BUSINESS-TV"	50,00%	50,00%

Detailed information on changes in the Group's investments in associates is presented in Note 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 thousand of Russian roubles rounded to the nearest thousand.

(e) Financial Reporting in Hyperinflationary Economies

In the period starting from beginning of 90-ties till 31 December 2002 the Russian Federation met the criteria of the country with hyperinflationary economy in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies'. The inflation rate published by the State Committee of Statistic of the Russian Federation in 2002 was 15,1% (in 2001 and in 2000 – 18,8% and 20,2% respectively). Notwithstanding that the cumulative inflation rate over three years by the end of the year 2002 was less than 100%, it is recognized that the economy of the Russian Federation had conditions of the hyperinflationary economy till 31 December 2002.

In accordance with IAS 29 the financial statements of an enterprise that reports in the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, should be stated in terms of the measuring unit current at the date of financial statement. The Group applied IAS 29 by applying a general price index of the Russian Federation.

In accordance with the resolution of international bodies regulating accounting and financial reporting, from 1 of January, 2003 the Russian Federation does not meet the criteria of hyperinflationary economy, stated by IAS 29 "Financial Reporting in Hyperinflationary Economies".

Starting from 2003 and during the subsequent years the Company did not apply IAS 29 to the current accounting periods and content itself with representation of the aggregate influence of indexation on hyperinflation till 31 of December, 2002 on non-monetary items of the financial statements. Monetary items and the results of its activity will be recognized in the amounts of actual nominal amounts.

(f) Going concern

The accompanying 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.

(g) Use of estimates

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

3. Significant accounting policies

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

(a) Intangible assets

Intangible assets include software, trademarks and licenses.

(i) Software

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

Other subsequent expenditure related to capitalize intangible assets is capitalized only when it increases the future economic benefits embodied in the item. All other expenditure is recognized in the consolidated statement of comprehensive income as an expense as incurred.

(iv) Useful life and amortization of intangible assets

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

Software	1-10 years
Trade marks	10 years

(b) Fixed assets

Property, plant and equipment comprise mainly land, building and construction, equipment, vehicles, and other equipment such as office equipment and furniture.

(i) Property

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 of property, plant and equipment.

At each financial statement date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss as other expense.

(ii) Subsequent 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:

Building and construction	25-30 years
Machinery and equipment	3-5 years
Vehicles	5 years
Other assets	3–5 years

(c) Investment property

Investment property comprises objects of real estate which are held to earn rentals. Investment property is measured initially at its cost less any accumulated depreciation and impairment losses. The cost of self-constructed investment property is composed of cost of materials, labour and other expenses related directly to the object of investment property.
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) Investments

Investments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of comprehensive income. Where the Group has the positive intent and ability to hold investments to maturity, they are stated at amortized cost less impairment losses. Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly to equity.

Investments in equity instruments that do not have a quoted market price are measured at cost. The fair value of investments held-for-trading and investments available-for-sale is their quoted bid price at the date of statement of financial position.

Investments held-for-trading and available-for-sale investments are recognized/ derecognized by the Group on the date it commits to purchase/sell the investments. Investments held-to-maturity are recognized/ derecognized on the day they are transferred to/by the Group.

(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), through executing agreements of preliminary sale (PSA), agreement of sale and trough investing contract with ZHSK.

Notwithstanding considerable differences in schemes, risks associated with buildings being constructed are transferred to unit holders (buyers) after putting buildings in operation. Till such moment 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.

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 advances

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

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

Other accounts receivable include settlements under rent agreements, settlements for shares in garage-building cooperatives and other settlements.

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

(g) Cash and cash equivalents

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

(h) Share capital

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

Dividends

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

(i) Advances received on principal activity and accounts payable

In accordance with the share participation agreements investors-share holders invest in Holding LenSpetsSMU paying advances intended for housing building.
At construction finishing, objects of building commissioning, passing over the objects of building to the respective owners there performed writing-off of advances received to the financial result for each object.

Accounts payable are stated at cost.

(j) Loans and borrowings

Loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequently to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of comprehensive income over the period of the borrowings. When borrowings are settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the consolidated statement of comprehensive income.

(k) Income tax

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

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

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

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

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

(l) Recognition of operating income/expenses

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

(m) Interest income and expense

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

(n) Foreign currency transactions

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

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

As at June 30, 2011 the official exchange rates was USD 28.0758 roubles, euro 40.3870 roubles. As at December 31, 2010 the official exchange rates was USD 30.4769 roubles, euro 40.3331 roubles.

4. Operating segments.

The Group operates in a single operating and geographic segment which is construction of premises. The revenues from these services constitute more than 90 percent of total revenues.
All significant assets, management and administrative facilities are located in Russia.

5. Fixed assets

RR'000	Land	Buildings and facilities	Machinery and equipment	Vehicles	Other FA	Construction in progress	Total
Cost							
At December 31, 2010	9 188	482 133	751 171	42 406	26 334	1 566	1 312 798
Additions	-	246 485	71 367	6 203	743	1 677	326 475
Disposals	-	(242 650)	(44 639)	(4 954)	(280)	-	(292 523)
At June 30, 2011	**9 188**	**485 968**	**777 899**	**43 655**	**26 797**	**3 243**	**1 346 750**
Depreciation							
At December 31, 2010	-	(130 300)	(432 028)	(24 752)	(18 147)	-	(605 227)
Depreciation charge for the period	-	(18 003)	(69 935)	(6 534)	(1 913)	-	(96 385)
Depreciation on disposals	-	21 475	30 171	7 435	285	-	59 366
At June 30, 2011	-	**(126 828)**	**(471 792)**	**(23 851)**	**(19 775)**	-	**(642 246)**
Net book value							
At December 31, 2010	9 188	351 833	319 143	17 654	8 187	1 566	707 571
At June 30, 2011	9 188	359 140	306 107	19 804	7 022	3 243	704 504
Cost							
At December 31, 2009	30 693	905 243	756 372	36 872	22 749	843	1 752 772
Additions	-	156 444	31 428	5 300	398	8 062	201 632
Disposals	(21 505)	(422 365)	(41 130)	(208)	(703)	-	(485 911)
At June 30, 2010	**9 188**	**639 322**	**746 670**	**41 964**	**22 444**	**8 905**	**1 468 493**
Depreciation							
At December 31, 2009	-	(152 619)	(349 684)	(21 735)	(13 345)	-	(537 383)
Depreciation charge for the period	-	(18 332)	(66 462)	(5 229)	(1 659)	-	(91 682)
Depreciation on disposals	-	29 718	38 474	192	597	-	68 981
At June 30, 2010	-	**(141 233)**	(377 672)	**(26 772)**	**(14 407)**	-	**(560 084)**
Net book value							
At December 31, 2009							
At June 30, 2010	30 693	752 624	406 688	15 137	9 404	843	1 215 389
	9 188	498 089	368 998	15 192	8 037	8 905	908 409

6. Investment property

RR'000	As at June 30, 2011	As at December 31, 2010
Cost		
At the beginning of accounting period	**646 959**	**318 792**
Additions	85 504	347 588
Disposals	(154 137)	(19 421)
At the end of accounting period	**578 326**	**646 959**
Depreciation		
At the beginning of the accounting period	**(28 155)**	**(10 277)**
Depreciation charge for the period	(11 663)	(21 334)
Depreciation on disposals	4 438	3 456
At the end of the accounting period	**(35 380)**	**(28 155)**
Net book value at the beginning of accounting period	**618 804**	**308 515**
Net book value at the end of accounting period	**542 946**	**618 804**

7. Intangible Assets

"RR'000	Licenses	Software	Trademarks	Other intangible assets	TOTAL
Cost					
At December 31, 2010	-	7 882	623	37	8 542
Additions	-	658	259	-	917
Disposals	-	(4 958)	-	-	(4 958)
At June 30, 2011	-	**3 582**	**882**	**37**	**4 501**
Amortization					
At December 31,2010	-	(6 204)	(291)	(11)	(6 506)
Amortization charge for period	-	(430)	(40)	(3)	(473)
Amortization on disposals	-	4 959	-	-	4 959
At June 30, 2011	-	**(1 675)**	**(331)**	**(14)**	**(2 020)**
Net book value					
At December 31, 2010	**-**	**1 678**	**332**	**26**	**2 036**
At June 30, 2011	**-**	**1 907**	**551**	**23**	**2 481**
Cost					
At December 31, 2009	254	8 037	511	37	8 839
Additions	-	54	113	-	167
Disposals	(254)	(125)	-	(2)	(381)
At June 30, 2010	-	**7 966**	**624**	**35**	**8 625**
Amortisation					
At December 31,2009	(102)	(5 512)	(222)	(6)	(5 842)
Amortisation charge for period	(95)	(693)	(31)	(2)	(821)
Amortisation on disposals	197	120	-	-	317
At June 30, 2010	-	**(6 085)**	**(253)**	**(8)**	**(6 346)**
Net book value					
At December 31, 2009	**152**	**2 525**	**289**	**31**	**2 997**
At June 30, 2010	**-**	**1 881**	**371**	**27**	**2 279**

8. Investments in Associates

Information about changes in investments in associated companies in the reporting period:

RR'000	As at June 30, 2011	6 months ended June 30, 2011				As at December 31, 2010
	Investment in associated companies	Acquisition	Share of net profit	Impairment of investments	Dividends received	Investment in associated companies
CJSC "LenSpetsSMU-Reconstruction"	31 334	-	1 179	-	-	30 155
CJSC "Building materials factory "Etalon"	55 642	-	7 082	-	-	48 560
CJSC "ZATONSKOYE"	1 721 174	-	-	-	-	1 721 174
CJSC "ART-BUSINESS-TV"	-	-	-	-	-	-
Total	1 808 150	-	8 261	-	-	1 799 889

Information about assets and liabilities as at statement date, equity, revenue and profit / (losses) of associated companies:

RR'000	As at June 30, 2011			As at December 31, 2010		
	Total assets	Total liabilities	Equity	Total assets	Total liabilities	Equity
CJSC "LenSpetsSMU-Reconstruction"	1 006 519	881 185	125 334	1 021 896	901 278	120 618
CJSC "Building materials factory "Etalon"	135 224	11 576	123 648	115 649	7 738	107 911
CJSC "ZATONSKOYE"	4 636 671	4 653 311	(16 640)	3 490 343	3 493 018	(2 675)
CJSC "ART-BUSINESS-TV"	43 660	44 409	(749)	43 357	43 869	(512)

RR'000	6 months ended June 30, 2010		6 months ended June 30, 2010	
	Revenue	Net profit / (losses)	Revenue	Net profit / (losses)
CJSC "LenSpetsSMU-Reconstruction"	823 590	4 716	492 267	(5 358)
CJSC "Building materials factory "Etalon"	102 901	15 737	51 684	(4 515)
CJSC "ZATONSKOYE"	-	(13 965)	3 737	18
CJSC "ART-BUSINESS-TV"	-	(237)	-	(17)

9. Long-term financial investments

RR'000	As at June 30, 2011	As at December 31, 2010
Loans given	543 821	530 497
Bonds	-	1 081 105
Long-term equity investments	430	552
Impairment provision for financial investments	(9 848)	(9 921)
Total Long-term financial investments	**534 403**	**1 602 233**

Loans given to legal entities are denominated in Russian roubles and are stated at amortized cost. The effective interest rate as at June 30, 2011 was 12.34% and as at December 31, 2010 was 11.92% correspondingly.

10. Deferred taxation

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

RR'000	As at June 30, 2011
Deferred tax asset at the beginning of the period	157 128
Deferred tax liability at the beginning of the period	(456 936)
Net deferred tax at the beginning of the period	(299 808)
Tax included in the Statement of comprehensive income (Note 26)	394 004
Net deferred tax at the end of the period	94 196
Including:	
Deferred tax asset	**124 232**
Deferred tax liability	**(30 036)**

The analysis of deferred tax assets and liabilities:

RR'000	As at June 30, 2011	As at December 31, 2010
Trade accounts payable	1 848 198	1 802 679
Inventories	808 747	1 128 917
Fixed assets and intangible assets	62 495	37 868
Trade accounts receivable	87 947	103 542
Loans given	18 891	20 986
Prepaid expenses	6 759	4 671
Financial assets	3 857	11 380
Reserves	1 158	1 133
Bank and corporate borrowings	-	13 532
Deferred tax asset:	**2 838 052**	**3 124 708**
Set off of tax*	(2 713 820)	(2 967 580)
Net tax assets	**124 232**	**157 128**

RR'000	As at June 30, 2011	As at December 31, 2010
Trade accounts payable	(2 628 760)	(2 905 381)
Advances received	(66 725)	(98 424)
Other current assets	(36 197)	(381 141)
Inventories	(10 694)	(20 908)
Financial assets	(647)	(1 078)
Fixed assets and intangible assets	(477)	(382)
Bank and corporate borrowings	(356)	(17 202)
Deferred tax liability:	**(2 743 856)**	**(3 424 516)**
Set off of tax*	2 713 820	2 967 580
Net tax liability	**(30 036)**	**(456 936)**
Net deferred tax at the end of the period	**94 196**	**(299 808)**

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

11. Inventories

RR'000	As at June 30, 2011	As at December 31, 2010
Construction in progress of apartment building objects	11 595 926	8 953 135
Construction in progress of garage building objects	713 472	463 952
Total construction in progress	**12 309 398**	**9 417 087**
Own apartments	6 314 142	8 056 526
Built-in premises (non-residential)	2 693 630	2 796 451
Secondary market apartments	23 854	23 506
Concrete and reinforced concrete items	4 808	5 874
Other	1 018	1 028
Provision for impairment of goods	(7 195)	(6 691)
Total finished products and goods for re-sale	**9 030 257**	**10 876 694**
Concrete and reinforced concrete items	13 435	20 233
Building materials	11 948	12 847
Auxiliary materials for the basic production	8 399	6 195
Fuel	2 935	1 658
Metal-roll (armature, angle bars, metal bars, etc.)	2 072	3 433
Inventories and utilities	1 709	1 636
Cement	627	458
Special clothing	336	538
Other inventories	1 507	1 047
Provision for impairment of materials	(13 873)	(19 463)
Total raw materials	**29 095**	**28 582**
Total inventories	**21 368 750**	**20 322 363**

The construction in progress includes apartments, build-in premises, garages under construction, infrastructure objects and producers' goods.
Objects of construction in progress in total amount of 12 309 398 thousand roubles are listed below:

RR'000	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Orbita	3 830 731	186 197	4 016 928	2 686 888	37 948	2 724 836
Yubileinyi Kvartal	4 490 888	442 855	4 933 743	3 529 826	375 497	3 905 323
HC Moscow, Starokrymskaya, 13	614 552	-	614 552	581 646	-	581 646
Lastochkino Gnezdo	553 846	-	553 846	443 949	-	443 949
Etyud	459 087	47 212	506 299	285 221	44 013	329 234

RR'000	Housing construction objects	Garage building objects	Total	Housing construction objects	Garage building objects	Total
Prestige	468 326	26 576	494 902	293 427	1 844	295 271
Galant	392 420	-	392 420	-	-	-
Koroleva, h.46	145 327	-	145 327	-	-	-
Technopark	133 187	10 582	143 769	90 854	-	90 854
Tsarskaya Stoloca	87 792	-	87 792	-	-	-
Talisman	-	-	-	602 006	4 650	606 656
AURA	-	-	-	123 231	-	123 231
Infrastructure objects	411 982	-	411 982	248 737	-	248 737
Other	7 788	50	7 838	67 350	-	67 350
Total	**11 595 926**	**713 472**	**12 309 398**	**8 953 135**	**463 952**	**9 417 087**

Object comparison shows that the largest non-completed objects for 6 months period of 2011 have become housing complex "Orbita" and housing complex "Yubileinyi Kvartal".

12. Short-term investments

RR'000	As at June 30, 2011	As at December 31, 2010
Financial assets held-for-trading	1 858 284	1 601 740
Deposits	1 327 071	-
Loans given to legal entities	39 334	55 231
Total short-term investments	**3 224 689**	**1 656 971**

Property shares in garage-building cooperatives are booked within financial statements as financial assets held-for-trading. These shares are stated at cost which is close to their fair value.

13. Accounts receivable and advances

RR'000	As at June 30, 2011	As at December 31, 2010
Advances to suppliers for the principal activities	3 421 062	2 834 654
Trade accounts receivable	639 373	649 718
VAT recoverable	322 944	436 393
Accounts receivable accompanied by promissory notes	128 053	292 339
Other taxes recoverable	6 032	1 649
Other receivables	721 818	610 828
Provision for bad debts	(107 562)	(165 419)
Total accounts receivable and advances	**5 131 720**	**4 660 162**

Accounts receivable for the principal activities occur in sales of flats built and works performed.
The major debtors for advances given are CJSC 'Lenenergo', CJSC 'Sankt-Petersburgskie electricheskie seti' (settlements for electricity); LLC 'MERIDIAN', GUP 'Vodokanal' (settlements for connection to water supplying networks); CJSC 'VAGONMASH' (advance for land plot).

14. Other current assets

Other current assets include prepaid expenses. Prepaid expenses constitute advances paid in the current period which relate to future periods and include the following: insurance and other expenses.
Prepaid expenses have the following structure:

RR'000	As at June 30, 2011	As at December 31, 2010
Insurance	2 475	2 378
Other	28	18
Total other current assets	**2 503**	**2 396**

15. Cash and cash equivalents

RR'000	As at June 30, 2011	As at December 31, 2010
Cash in hand	2 172	2 844
Cash in bank — RR accounts	202 092	73 461
Cash in bank — FCY accounts	7 308	534
Short-term bank deposits	1 393 319	2 645 497
Other cash and cash equivalents	31 500	28 950
Total cash and cash equivalents	**1 636 391**	**2 751 286**

16. Share capital

As at June 30, 2011 share capital of the Company included 1 000 shares of nominal value of 200 roubles per share.

The shareholders of the Company as at As at June 30, 2011 are listed below:

Shareholder	Amount of shares	Share, %	Nominal value	Sum, adjusted to inflation
CJSC " Managerial company-Construction holding "Etalon-LenSpetsSMU"	985	98,5%	197	1 218
Other	15	1,5%	3	19
	1 000	**100%**	**200**	**1 237**

Dividends

On the results of the 6 month period 2010 and 6 month period 2011 the dividends were not declared and paid by parent company.

17. Loans and borrowings

RR'000	As at June 30, 2011	As at December 31, 2010
Long-term borrowings		
Bank borrowings (principal amount)	1 955 212	969 598
Corporate borrowings (principal amount)	5 635 669	6 792 482
	7 590 881	**7 762 080**
Short-term borrowings		
Bank borrowings (principal amount)	44 422	-
Bank borrowings (interest accrued)	5 186	208
Corporate borrowings (principal amount)	1 510 624	1 305 625
Corporate borrowings (interest accrued)	93 292	96 042
	1 653 524	**1 401 875**
Total borrowings:	**9 244 405**	**9 163 955**

Long-term bank borrowings comprise a bank loan obtained from OJSC 'Bank Saint-Petersburg' in the amount RR'000 800 000, from OJSC 'Alfa-Bank' in the amount RR'000 799 839, from CJSC 'Raiffeisenbank' in the amount RR'000 355 373.

Short-term bank borrowings comprise a bank loan obtained from CJSC 'Raiffeisenbank' in the amount RR'000 44 422.

Bank loans are secured by a mortgage with a carrying amount of RR'000 161 301 (mortgage value RR'000 218 002).

Borrowings are unsecured.

(a) Bank borrowings

RR'000	As at June 30, 2011
Balance at the beginning of the year (principal amount), based on undiscounted payments	**972 994**
Received (principal amount)	2 308 575
- *including foreign exchange difference*	*31 351*
Repaid (principal amount)	(1 277 824)
- *including foreign exchange difference*	*(26 122)*
Balance at the end of the year (principal amount)	**2 003 745**
Balance at the beginning of the year (interest)	**190**
Charging of an expense (interest)	26 593
Capitalized (interest)	25 260
-including foreign exchange difference	*17*
Interest paid	(46 857)
-including foreign exchange difference	*(74)*
Balance at the end of the year (interest)	**5 186**
Balance at the end of the year (principal amount) in the following currencies	**2 003 745**
- Russian roubles borrowings	800 000
- Euro borrowings	803 950
- US dollars borrowings	399 795
Total, borrowings (principal amount) at the end of year based on undiscounted payments	**2 003 745**
Payables within 12 months after the financial statement date (principal amount) at the end of the year	44 422
Payables within 2 years after the financial statement date at the end of the year	479 595
Payables within 3 years after the financial statement date at the end of the year	829 728
Payables within 4 years after the financial statement date at the end of the year	550 000
Payables within 5 years after the financial statement date at the end of the year	100 000
Total, borrowings (interest) at the end of the year	**5 186**
Payables within 12 months after the financial statement date (interest) at the end of the year	5 186
Total, payables (principal amount and interest) at the end of the year at the amortized cost	**2 004 820**

(b) Corporate borrowings

Long-term borrowing comprise borrowings from 'North Star B.V. in amount RR'000 4 140 057, bond issues supported by OJSC 'Promsvyazbank' acting as underwriter in the amount RR'000 1 097 011 and by OJSC 'Alfa-Bank' in the amount of RR'000 398 601.

Short-term borrowing comprise bond issues supported by OJSC 'Alfa-Bank' acting as underwriters in the amount of RR'000 793 433 and by OJSC 'Promsvyazbank' in the amount RR'000 694 640, borrowings from 'North Star B.V. in amount RR'000 17 844, borrowings from OJSC "Etalon-Invest" in amount of RR'000 3 800, and other borrowings in the total amount of RR'000 907.

RR'000	As at June 30, 2011
Balance at the beginning of the year (principal amount) based on undiscounted payments	**8 182 892**
Received (principal amount)	25 000
-including foreign exchange difference	-
Repaid (principal amount)	(991 814)
-including foreign exchange difference	*(360 165)*
Balance at the end of the year (principal amount)	**7 216 078**
Balance at the beginning of the year (interest), transient	**93 537**
Charged to expenses (interest)	125 102
Capitalized (interest)	347 143
-including foreign exchange difference	*452*
Paid up (interest)	(476 924)
-including foreign exchange difference	*(4 137)*
Other	(376)
Balance at the end of the year (interest)	**88 482**
Balance at the end of the year (principal amount) in the following currencies	**7 216 078**
- Russian roubles borrowings	3 004 708
- US dollars borrowings	4 211 370
Total, balance at the end of the year (principal amount and interest) based on undiscounted payments	**7 304 560**
Payables within 12 months after the financial statement date (principal amount) at the end of the year	1 504 708
Payables within 12 months after the financial statement date (interest) at the end of the year	88 482
Payables within 2 years after the financial statement date at the end of the year	2 426 501
Payables within 3 years after the financial statement date at the end of the year	1 600 321
Payables within 4 years after the financial statement date at the end of the year	1 263 411
Payables within 5 years after the financial statement date at the end of the year	421 137
Total, payables (principal amount and interest) at the end of the year at the amortized (balance) cost	**7 239 585**

18. Advances received from the principal activities

Advances received are represented by the prepayment received by the Group from buyers of construction objects.

Advances are transferred to the income as soon as the construction objects 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, the probability that the economic benefits associated with the transaction will flow to the Group is high.

19. Accounts payable and other liabilities

RR'000	As at June 31, 2011	As at December 31, 2010
Current liabilities		
Accounts payable — trade	1 588 531	1 332 996
Accrued provisions	749 447	1 220 234
VAT payable	44 587	38 752
Other taxes payable	25 795	24 733
Salary payable	24 269	50 822
Other payables	515 945	294 082
Total accounts payable	**2 948 574**	**2 961 619**

Accrued provisions in amount of 'RR'000 749 447 are obligations to perform certain works after objects are passed over to customers.
Short – term trade accounts payable in amount of 'RR'000 1 588 531 includes settlements with suppliers for raw materials, inventories and construction services.

20. Revenues

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Own flats	5 185 710	7 153 462
Built-in premises (non residential)	694 468	605 586
Commissioning of construction objects	352 608	145 157
Concrete production	159 273	79 784
Rent	156 139	108 072
Agent services	152 237	47 925
Building and assembly works	141 656	308 886
Ferroconcrete production	99 417	23 365
Auto services sales	39 639	20 977
Secondary market apartments	4 530	1 174
Sales of other works and services	70 991	63 055
Other products, goods, materials	24 118	424
Total revenues	**7 080 786**	**8 557 867**

21. Cost of sales

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Own flats	2 666 156	3 488 255
Built-in premises (non residential)	366 444	374 461
Commissioning of objects of building	271 749	114 961
Other products, goods, materials	267 641	134 475
Building and assembly works	149 094	239 466
Salary and other personnel expenses	92 346	59 088
Depreciation of fixed assets	80 638	75 654
Maintenance expenses	15 717	11 743
Depreciation of investment property	12 254	7 030
Secondary market apartments	4 794	453
Repair and maintenance	3 799	6 038
Depreciation of intangible assets	-	21
Other services	59 486	63 582
Total cost of sales	**3 990 118**	**4 575 227**

22. Selling expenses

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Advertisement and marketing	77 883	74 347
Agency services	8 831	726
Other	5 199	1 425
Total selling expenses	**91 913**	**76 498**

23. General and administrative expenses

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Wages and other payments to personnel	337 448	279 267
Management services	155 345	114 604
Maintenance services	23 837	14 140
Security service	10 250	6 961
Consulting, legal, audit services	8 099	7 049
Rent	3 211	4 584
Depreciation of fixed assets	2 812	3 274
Auto services expenses	2 144	2 027
Depreciation of intangible assets	473	801
Other	24 337	15 230
Total general and administrative expenses	**567 956**	**447 937**

24. Other operating expenses (net)

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Net income from sale of financial assets	18 347	46 105
Compensation of other operations costs	1 444	(50 357)
Income / (expenses) from sale / (purchase) and other disposal of tangible assets	(113 585)	37 038
Income from sale of subsidiaries	-	126 616
Income / (expenses) from accounts receivable / (payable) write-off	263	(4 546)
Provision for impairment of materials	12	(59)
Provision for ongoing court litigations	750	(5 465)
Bad debts provision	57 470	8 978
Provision for impairment of investments	71	-
Provision for impairment of goods	(1 835)	2 946
Expenses on social objects maintenance	(12 488)	(4 074)
Fees, fines, forfeits receivable	4 936	19 490
Fees, fines, forfeits payable	(966)	(370)
Warranties	(6 890)	(1 442)
Bank commissions	(25 462)	(21 094)
Social expenses and other payments to employees	(2 865)	(3 974)
SPA settlements after commissioning of the house by State commission	(507)	(28 101)
Profit / (losses) of the previous years	1 601	(1 496)
Charity	(3 265)	(2 501)
Unused provisions for carried over works written off	-	6 431
Other income / (expenses)	(2 326)	(1 600)
Total other operating income	**(85 295)**	**122 525**

25. Net financial expenses

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Interest expense	(151 225)	(390 478)
Interest income	57 814	47 646
Net foreign exchange loss	190 486	(77 082)
Change in fair value of financial assets	13 754	140 963
Expenses from finance lease	-	(1 474)
Total net financial expenses	**110 829**	**(280 425)**

26. Income tax

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

(a) Income tax expense

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Current income tax expense	875 638	392 538
(Income) / Expenses from origination and reversal of temporary differences	(394 004)	297 782
Total income tax expense	**481 634**	**690 320**

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

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Profit before income tax	2 403 371	3 229 390
Theoretical tax charge at the applicable statutory rate on reporting date	480 674	645 878
Adjustments for items of income and expenses which are not assessable or deductible for taxation purposes	960	44 442
Total income tax expense	**481 634**	**690 320**

27. Related-party transactions

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

RR'000	6 months ended June 30, 2011	6 months ended June 30, 2010
Key management personnel	34 937	43 592

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

RR'000	Associated companies		Jointly controlled entities	
	As at June 30, 2011	As at December 31, 2010	As at June 30, 2011	As at December 31, 2010
Long-term loans given				
Loans given (the main debt)	-	-	508 770	497 200
Short-term loans given				
Loans given (the main debt)	-	-	9 589	33 147
Loans given (interest)	-	-	2 582	3 261
Short-term accounts receivable and advances given				
Trade accounts receivable	19 662	33 597	187 398	171 332
Accounts receivable accompanied by promissory notes	-	-	108 385	216 296
Advances to suppliers for the principal activities	1 736 579	1 255 902	129 484	280 971
Other receivables	168	2	492 396	453 192
Short-term borrowings				
Corporate borrowings (principal amount)	-	-	4 400	4 850
Corporate borrowings (interest accrued)	-	-	171	52
Short-term accounts payable				
Advances received	-	-	20 637	5 094
Trade accounts payable	223 207	188 369	801 581	660 023
Other accounts payable	-	-	21 238	13 922
Accounts payable accompanied by promissory notes	-	-	6 630	-

For the reporting period Group provided the following operations with related parties:

RR'000	Associated companies		Jointly controlled entities	
	6 months ended June 30, 2011	6 months ended June 30, 2010	6 months ended June 30, 2011	6 months ended June 30, 2010
Revenues	180 286	57 702	277 150	180 406
Cost of sales	(7 213)	(19 259)	(38 402)	(86 756)
Selling expenses	-	-	(969)	-
General and administrative expenses	-	-	(169 862)	(120 469)
Other income	1 045	138	24 685	97 893
Other expenses	(5 206)	-	(9 309)	(3 208)

28. Financial risk management

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

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

Credit risk

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

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

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

Liquidity risk

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

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

June 30, 2011 RR'000	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	1 642 798	7 670 693	-	9 313 491
Trade and other payables	2 878 192	-	-	2 878 192
Total	**4 520 990**	**7 670 693**	**-**	**12 191 683**

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

Foreign currency risk

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

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

At June 30, 2011, if the Russian rouble weakened against US dollar and euro by 15% with all other variables held constant, the Group's profit before taxation would reduce at 'RR'000 585 990, mainly due to foreign exchange differences arising on loans, borrowings and investments nominated in foreign currency.

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

Interest rate risk

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

Capital risk management

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

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

29. Industry risk management

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

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

30. Contingencies

Taxation

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

Guarantees of liabilities issued

As at June 30, 2011 the Group's companies issued guarantees amounting to '000 RR 441 040 (at December, 31 – '000 RR 501 616).

31. Events subsequent to the financial statement date

1. As at 06.07.2011 the Group obtained loan by credit line of CJSC Raiffeisenbank in the amount of USD'000 13 768 for 2,3 years.
2. As at 22.07.2011 was signed the agreement with OJSC Saint-Petersburg Bank for opening the letter of credit for 4,5 years in the amount of euro'000 22 608 for financing of construction works for Orbita-3.
3. As at 04.08.2011 the amount borrowed from OJSC Alfa-Bank increased by euro '000 14 869 to total amount euro'000 29 779.
4. As at 09.08.2011 the Group paid the loan interest of North Star SA in the amount of USD'000 3 616.
5. As at 16.08.2011 the Group obtained loan by credit line of OJSC Bank ZENIT in the amount of USD'000 20 000 for 4,4 years.
6. As at 25.08.2011 the Group paid 5-th coupon of CJSC 'SSMO LenSpetsSMU' bonds BO-02 series (4B02-02-17664-J dated April 12, 2010) in the amount of RR'000 65 080.
7. As at 14.09.2011 the Group paid 7-th coupon of CJSC 'SSMO LenSpetsSMU' bonds 01 series (4-01-17664-J dated November 12, 2009) in the amount of RR'000 47 340.