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CJSC SSMO “LenSpetsSMU”

Separate financial statements

*For the year ended 31 of December, 2008
including independent auditor's report*

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Separate financial statements of CJSC SSMO "LenSpetsSMU"

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ICLC



Independent auditors report

To the shareholders of CJSC SSMO "LenSpetsSMU"

We have audited the accompanying separate financial statements of CJSC SSMO "LenSpetsSMU", which comprise the separate balance sheet as at December 31, 2008, and the separate income statement, separate statement of changes in equity and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects the financial position of CJSC SSMO "LenSpetsSMU" as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

General Director

Moscow, Russian Federation
May, 29 2009



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Company CJSC SSMO "LenSpetsSMU"
Separate income statement for the year ended December 31, 2008

(Thousand of Russian rubles)

		2008 '000 RR	2007 '000 RR (revised)	2007 '000 RR
Revenue	18	9 531 750	6 478 668	6 478 668
Cost of sales	19	(6 776 425)	(4 392 440)	(4 242 981)
Gross profit		2 755 325	2 086 228	2 235 687
Selling expenses	20	(69 558)	(62 413)	(209 785)
General and administrative expenses	20	(376 998)	(301 045)	(301 391)
Taxes, other than income tax		(37 111)	(48 235)	(48 235)
Other operating income/(expenses) - net	21	74 984	(156 068)	(77 603)
Operating profit		2 346 642	1 518 467	1 598 673
Net finance expenses	22	(1 187 702)	(140 873)	(140 844)
Profit before income tax		1 158 940	1 377 594	1 457 829
Income tax expense	10	(288 872)	(356 428)	(375 684)
Net profit for the year		870 068	1 021 166	1 082 145
Basic and diluted earnings on the share		870,07	1 021,17	1 082,15

The income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8–26.

General director
Chief accountant
May 29, 2009



Scherbina G.Ph.
Ignatyeva L.M.

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Company CJSC SSMO "LenSpetsSMU"

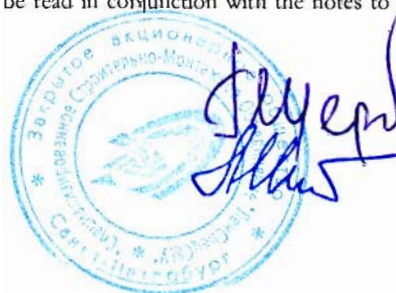
Separate statement of changes in equity for the year ended December 31, 2008

(Thousand of Russian rubles)

	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total
Balance at December 31, 2006	1 237	-	939 333	940 570
Restatement of opening balance (Note 4)			(21 088)	(21 088)
Balance at December 31, 2006 (restated)	1 237	-	918 245	919 482
Net profit for the year	-	-	1 082 145	1 082 145
Dividends	-	-	(316 000)	(316 000)
Revaluation of available-for-sale investments	-	67 254	-	67 254
Balance at December 31, 2007	1 237	67 254	1 705 478	1 773 969
Restatement of opening balance (Note 4)	-	(67 254)	(82 067)	(149 321)
Balance at December 31, 2007 (restated)	1 237	-	1 623 411	1 624 648
Net profit for the year	-	-	870 068	870 068
Balance at December 31, 2008	1 237	-	2 493 479	2 494 716

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8-26.

General director
Chief accountant
May 29, 2009



Scherbina G.Ph.

Ignatyeva L.M.

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Company SCJC SSMO "LenSpetsSMU"

Separate statement of cash flows for the year ended December 31, 2008

(Thousand of Russian rubles)

	2008 '000 RR	2007 '000 RR (revised)	2007 '000 RR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	1 158 940	1 377 595	1 457 829
<u>Adjustments for:</u>	1 243 509	(17 314)	16 793
Depreciation	7 319	3 855	2 115
Profit from sale of financial assets	(64 897)	(38 123)	(42 148)
Foreign exchange loss/(gain)	955 372	(176 698)	(176 727)
Interest income	549 385	304 725	304 725
Interest expense	(43 908)	(29 929)	(29 929)
Income from participation in related organizations	(19 483)	(68 316)	(68 316)
Provision for bad debts	25 238	(22 339)	(22 339)
Provision for impairment of materials	3 730	8 296	8 296
Provisions for court litigations	(81)	(1 450)	(1 450)
Provision for impairment of financial assets	380	-	-
Other income and expenses	(169 546)	2 665	42 566
Operating profit before changes in working capital	2 402 449	1 360 281	1 474 622
Decrease/(Increase) in Accounts receivable and advances	567 520	(1 211 962)	(824 560)
Increase in Inventories	(11 271 954)	(5 915 340)	(6 049 884)
Increase in Accounts payable and advances	10 818 156	3 931 072	3 930 031
Change in Other assets and liabilities	69 420	20 777	20 421
Cash generated from (used in) operations	2 585 591	(1 815 172)	(1 449 370)
Income tax paid	(180 281)	(481 934)	(481 934)
Net cash from / (used in) operating activities	2 405 310	(2 297 106)	(1 931 304)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	(89 702)	(1 193 972)	(997 563)
Proceeds from sales of property, plant and equipment and intangible assets	603	1 220	1 220
(Acquisition) / sale of securities and other financial assets	(1 346 242)	369 666	(660 701)
(Acquisition) / repayment of deposits	(978 200)	(20 165)	(20 291)
Income from participation in other organizations	19 514	68 316	68 316
Contributions to share capital	(9 000)	(237 569)	-
Loans given	(354 534)	(222 817)	(209 547)
Repayments of loans given	118 795	41 976	40 701
Interest received	28 747	28 288	26 477
Net cash used in investing activities	(2 610 019)	(1 165 057)	(1 751 388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts borrowed	6 731 266	6 697 752	6 697 752
Repayment of amounts borrowed	(5 973 519)	(2 721 622)	(2 508 263)
Interest paid	(582 051)	(214 056)	(213 609)
Dividends paid to shareholders	-	(289 604)	(289 604)
Net cash from financing activities	175 696	3 472 470	3 686 276
Influence of change in exchange rate on cash and cash equivalents	41 374	(6 723)	-
Net increase in cash and cash equivalents	12 361	3 584	3 584
Cash and cash equivalents at the beginning of the period	9 385	5 801	5 801
Cash and cash equivalents at the end of the period	21 746	9 385	9 385

The statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 8-26.

General director

Chief accountant

May 29, 2009



Scherbina G.Ph.

Ignatyeva L.M.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

1. Principal activities

The company CJSC SSMO "LenSpetsSMU" (further "the Company") specializes in mass house building under brick and monolith technology in the field of higher comfort and business-class housing.

At present the share of the building market falling on the objects constructed by the Company constitutes around 11,6% of the whole building market of Saint-Petersburg. In 2008 CJSC SSMO "LenSpetsSMU" constructed buildings totalling 371 357,1 sq. m.

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

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

CJSC SSMO «LenSpetsSMU» has the following licenses:

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

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

In 2008 214 employees on average worked for the Company.

2. Basis of preparation

General

Statement of compliance

These individual 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 Company maintains its accounting records in accordance with the legislative requirements of Russian Accounting Standards (RAS). The accompanying 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 Company 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 2008.

At the date of authorization of these financial statements, the following Standards and Interpretations were issued but not yet effective:

Standard/Interpretation	Effective for annual periods
IFRS 8 Operating segments	beginning on or after 1 January 2009
IAS 23 (amendment) Borrowing costs	beginning on or after 1 January 2009
IAS 1 (revised 2007) Presentation of financial statements	beginning on or after 1 September 2009
IFRS 3 (revision) Business combinations and IAS 27 (revision) Consolidated and Separate Financial Statements	beginning on or after 1 July 2009
IFRS 1 (amendment) First-time adoption of International	beginning on or after 1 January 2009

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements.

IAS 32 (amendment) Financial Instruments: Presentation and beginning on or after 1 January 2009

IAS 1 (amendment) Presentation of Financial Statements – redeemable financial instruments and liabilities arising on liquidation.

IAS 39 (amendment) Financial Instruments: Recognition and Measurement – hedging items. beginning on or after 1 July 2009

IFRIC 13 Customer Loyalty programs beginning on or after 1 July 2008

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. beginning on or after 1 October 2008

IFRIC 15 Agreements for the Construction of Real Estate. beginning on or after 1 January 2009

Functional and presentation currency

The individual financial statements of the Company are prepared in the currency of the primary economic environment in which the entity operates - its functional currency. The functional currency of the Company is the national currency of the Russian Federation - the Russian rouble («RR»). Operations in other currencies are recognized as transactions in foreign currencies.

All financial information in the individual financial statements is presented in thousand of Russian roubles rounded to the nearest thousand.

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 balance sheet date. The Company 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.

Going concern

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

Use of estimates

Management of the Company 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 individual financial statements in conformity with IFRS. Actual results could differ from those estimates.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
As at 31 of December, 2008**

(Thousand of Russian rubles)

3. Significant accounting policies

Cash and cash equivalents

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

Accounts receivable

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

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

Inventories

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

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

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

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

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

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

Administrative expenses that do not contribute to bringing the inventories to their present condition as well as selling costs are not included in the cost of the inventories.

Short-term investments

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

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

Long-term investments

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

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

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

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

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

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

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

Obligations, liabilities, advance payments received

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

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

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

Such conditions complicate execution of new share participation agreements.

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

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

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

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

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

Intangible assets

Licenses

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

Software

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

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

Other Intangible assets

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

Subsequent expenditure

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

Useful life and amortization of intangible assets

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

Deferred taxes

Deferred taxes are calculated using the balance sheet liability method which is based on the concept of temporary differences. Temporary differences are differences between carrying amounts of assets and liabilities recognized in balance sheet and the amounts used for taxation purposes. In accordance with this method deferred taxes are recognized for all temporary differences except for some particular cases. The amount of deferred tax assets and deferred tax liabilities provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of any transaction costs incurred. Subsequently to initial recognition, loans and borrowings are stated at amortized cost using effective interest rate. Interest expense related to construction and purchasing of qualifying asset is stated at its cost.

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. Contributions in cash or cash equivalents paid in till 1 of January 2003 were recognized with an allowance for inflation.

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

Accidental expenses

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

Recognition of operating income/expenses

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

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

Finance income and expenses

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

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

Employee benefits

Pensions

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

Post-employment benefits

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

4. Restatement of opening balances

The Company's management decided to adjust the opening balances as at 1 January 2008 due to cancellation of its previous decision to sell the subsidiary LLC "Kamenka" and correction of errors related to the prior financial statements.

In the Company's financial statements 2007 the investments in LLC "Kamenka" were accounted within non-current financial investments at fair value with revaluation recognized in equity. As the result of cancellation of the decision to sell the subsidiary and recognition of investment in LLC "Kamenka" in the Company's individual financial statements 2008 at cost some items of the Company's individual financial statements have been changed, in particular:

- Long term investments decreased by RUR 88 493 thousand;
- Revaluation reserve decreased by RUR 67 254 thousand;
- Deferred tax liabilities decreased by RUR 21 239 thousand;

As a result of writing off capitalized expenses related to construction of electrical supply lines considered as part of previously disposed living houses:

- carrying value of the Company's Inventories as at 31 December 2006 was decreased by RUR 27 747 thousand, and as at 31 December 2007 the inventories were decreased by RUR 111 316 thousand;
- net profit 2006 (before accounting for impact of deferred taxation) was decreased by RUR 27 747 thousand, and net profit 2007 was decreased by RUR 80 228 thousand;
- the amount of provision accrued as at 31 December 2007 was decreased by RUR 3 341 thousand;
- tax effect of posted correction resulted in reduction of net deferred tax liability as at 31 December 2006 by RUR 6 659 thousand, and the reduction of net deferred tax liability as at 31 December 2007 by RUR 25 914 thousand.

As a result of cession of the Company's share in construction of "Smolnii kvartal" project as at 31 December 2007, the carrying amount of Company's Inventories and Trade accounts payable was decreased by RUR 113 081 thousand.

Reclassification of land plots (which include the items of construction in progress) to Inventories resulted in decrease of Fixed assets carrying value by RUR 1 348 590 thousands.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2008

(Thousand of Russian rubles)

5. Fixed assets

Fixed assets flows during 2008 are as follows:

	TOTAL	Land plots	Buildings and constructions	Machines and equipment	Vehicles	Other FA	Construction in progress
Cost as at 31 of December, 2007	1 668 318	1 370 726	201 488	78 123	65	17 916	-
At December 31, 2007 (revised)	319 728	22 136	201 488	78 123	65	17 916	-
Additions	173 875	11 207	40 165	121 639	-	864	-
Disposals	(177 245)	-	(7 769)	(160 565)	(6)	(8 905)	-
Cost as at 31 of December, 2008	316 358	33 343	233 884	39 197	59	9 875	-
Accumulated depreciation as at 31 of December, 2007	(78 799)	-	(34 434)	(29 523)	(65)	(14 777)	-
Depreciation accrued for the period	(48 291)	-	(41 710)	(4 280)	-	(2 301)	-
Depreciation on disposals	24 693	-	6 830	9 267	6	8 590	-
Accumulated depreciation as at 31 of December, 2008	(102 397)	-	(69 314)	(24 536)	(59)	(8 488)	-
Net book value as at 31 of December, 2007	1 589 519	1 370 726	167 054	48 600	-	3 139	-
Net book value as at 31 of December, 2007 (revised)	240 929	22 136	167 054	48 600	-	3 139	-
Net book value as at 31 of December, 2008	213 961	33 343	164 570	14 661	-	1 387	-
Cost as at 31 of December, 2006	586 905	443 733	20 326	97 876	66	24 903	1
At December 31, 2006 (revised)	409 439	266 267	20 326	97 876	66	24 903	1
Additions	1 391 188	43 641	183 419	43 966	-	463	1 119 699
Disposals	(1 480 899)	(287 772)	(2 257)	(63 719)	(1)	(7 450)	(1 119 700)
Cost as at 31 of December, 2007	319 728	22 136	201 488	78 123	65	17 916	-
Accumulated depreciation as at 31 of December, 2006	(91 467)	-	(3 502)	(84 250)	(63)	(3 652)	-
Depreciation accrued for the period	(57 719)	-	(38 623)	(7 692)	(2)	(11 402)	-
Depreciation on disposals	70 387	-	7 691	62 419	-	277	-
Accumulated depreciation as at 31 of December, 2007	(78 799)	-	(34 434)	(29 523)	(65)	(14 777)	-
Net book value as at 31 of December, 2006	495 438	443 733	16 824	13 626	3	21 251	1
Net book value as at 31 of December, 2006 (revised)	317 972	266 267	16 824	13 626	3	21 251	1
Net book value as at 31 of December, 2007 (revised)	240 929	22 136	167 054	48 600	-	3 139	-

6. Intangible assets

Intangible assets of the company include software, trade marks in total amount of RR'000 1 187. Intangible assets were not impaired.

Original in Russian language

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7. Investment property

'000 RR	As at 31 December, 2008 000' RR	As at 31 December 2007 000' RR
<i>Cost</i>		
At the beginning of accounting period	-	-
Additions	260	-
Disposals	-	-
At the end of accounting period	260	-
<i>Depreciation</i>		
At the beginning of the accounting period	-	-
Depreciation charge for the period	(19)	-
Depreciation on disposals	-	-
At the end of the accounting period	(19)	-
Net book value at the beginning of accounting period	-	-
Net book value at the end of accounting period	241	-

8. Financial assets (long-term)

As at December 31, 2008 the Company's long-term financial assets comprise the following:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR (revised)	As at 31 December, 2007 000' RR
Long-term financial investments			
Investments in equity capital of subsidiaries and associates	2 278 373	625 970	604 463
Investments in equity capital of other companies	446	433	433
Available-for-sale investments	-	-	110 000
Deposits	12 049	-	-
Loans given to legal entities	18 953	41 336	41 336
Provision for impairment of financial assets	(380)	-	-
TOTAL	2 309 441	667 739	756 232

Investments in equity capital of subsidiaries and associates is analysed as follows:

	As at 31 December, 2008 000' RR
CJSC "SPb MFTC"	2 616
CJSC "CUN"	40
CJSC "LenSpetsSMU – Reconstruction"	2
LLC "Kamenka"	21 507
CJSC "Zatonskoye"	1 643 408
OJCS "SMU" "Elektronstroy"	1 725
CJSC "Building materials factory "Etalon"	75
LLC "Vertikal"	9 000
CJSC "AKTIV"	600 000
TOTAL	2 278 373

Long-term loans given of CJSC SSMO "LenSpetsSMU" in total amount of RR'000 18 953 include the loan given to LLC "Severnaya viysota and K".

Loans given to legal entities are denominated in Russian rubles and are stated at amortized cost. The effective interest rate was 11,5% at December 31, 2007 and 14,1% at December 31, 2008.

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9. Accounts receivable

As at December 31, 2008 accounts receivable of the Company are analysed as follows:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Accounts receivable (long-term):	951 972	199 617
Accounts receivable for the principal activities	111 016	171 094
Advances to suppliers for the principal activities	714 327	28 523
Accounts receivable for leasing	126 629	-
Accounts receivable (short-term):	2 839 053	2 789 123
Accounts receivable for the principal activities	827 666	849 584
Accounts receivable for the principal activities	60 139	297 931
Accounts receivable accompanied promissory notes	767 527	551 653
Advances to suppliers for the principal activities given	1 410 674	1 745 862
Other accounts receivable	203 547	139 539
Accounts receivable for leasing	19 436	-
Provision for bad debts	(48 260)	(67 135)
Taxes recoverable (other than income tax)	425 990	121 273
VAT recoverable	420 257	118 479
Other taxes receivable	5 733	2 794
TOTAL	3 791 025	2 988 740

The major counterparties for advances given are LLC «LSS-Stroy» (investment payment), OJCS «Sankt-Peterburgskie Elektricheskie Seti» (settlements for electricity), LLC "Vesso-Link edinaya pagingovaya" (co-investment in housing construction), OJCS "TGK-1 Holding" (settlements for electricity), OJCS "Lenenergo" (settlements for electricity).

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

Significant part of the Company's accounts receivable is due from its subsidiaries and associated companies:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Accounts receivable (long-term)		
Advances given	281 145	-
CJSC "Zatonskoye"	281 145	-
TOTAL	281 145	-
Accounts receivable (short-term)		
Accounts receivable for principal activities	373 547	414 179
CJSC "SPb MFTC"	-	68 739
OJSC "SMU "Elektronstroy"	-	421
CJSC "AKTIV"	373 051	159 500
CJSC "CUN"	294	185 312
CJSC "LenSpetsSMU – Reconstruction"	202	207
Advances given	420 923	86 236
CJSC "SPb MFTC"	224 399	48 942
CJSC "AKTIV"	30	-
CJSC "CUN"	196 494	37 294
Other accounts receivable and advances given	12 726	14 257
CJSC "SPb MFTC"	135	-
OJSC "SMU "Elektronstroy"	254	501
CJSC "AKTIV"	123	93
CJSC "CUN"	6 900	12 087
CJSC "LenSpetsSMU – Reconstruction"	5 314	1 576
TOTAL	807 196	514 672

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(Thousand of Russian rubles)

10. Income taxes

The analysis of deferred tax assets and liabilities at December 31 is presented below:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR (revised)	As at 31 December, 2007 000' RR
Deferred tax assets	883 595	292 369	238 513
Fixed assets & Intangible Assets	27 639	2 864	2 864
Financial investments	70 558	29	29
Trade accounts receivable	20 432	21 028	21 028
Inventories	677 422	249 891	196 035
Prepaid expenses	87 544	7 735	7 735
Borrowings and loans received	-	9 729	9 729
Long-term loans given	-	1 093	1 093
Deferred tax liabilities	1 014 830	299 978	293 275
Advances received	763 357	272 037	272 037
Reserves	2 229	802	-
Borrowings and loans received	120 308	-	-
Loans given	870	-	-
Accounts payable	105 765	-	-
Other current assets	22 301	27 139	21 238
Total, net deferred assets (liabilities)	(131 235)	(7 609)	(54 762)

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

	2008	2007 (revised)	2007
Current income tax	(165 246)	(302 244)	(302 244)
Tax included in the Statement of Income	(123 626)	(54 184)	(94 679)
Tax charged to equity	-	-	21 239
TOTAL income tax	(288 872)	(356 428)	(375 684)

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

Starting January 1, 2009 income tax rate in the Russian Federation was reduced from 24% to 20%. As a result, the deferred tax liabilities at the reporting date have been calculated at amended tax rate because the Company expects to settle its deferred tax liabilities in future periods when the tax rate of 20% is in force. Tax effect from recalculation of deferred tax liabilities at rate of 20% is RUR 26 247 thousand.

11. Inventories

As at December 31, 2008 the inventories of the Company include the following items:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR (revised)	As at 31 December, 2007 000' RR
Finished products and goods for re-sale	8 403 637	2 845 679	2 651 878
Secondary market flats	22 805	8 469	8 393
Own flats	7 705 374	2 447 142	2 269 436
Built-in premises	679 726	386 593	370 574
Other	3 451	3 475	3 475
Provision for impairment of goods	(7 719)	-	-
Construction materials	35 678	19 027	19 027
Other	43	11 638	11 638
Provision for impairment of materials	(4 307)	(8 296)	(8 296)
Construction in progress	16 523 843	10 824 838	9 894 452
Flats and built-in premises	15 508 742	9 940 336	9 009 950
Garages	1 015 101	884 502	884 502
TOTAL	24 958 894	13 692 886	12 568 699

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The construction in progress in amount RR'000 15 508 742 include the following objects:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR (revised)	As at 31 December, 2007 000' RR
Lanskoj block	-	82	82
Zhivoy rodnik (1, 2, 3 turn, infrastructure objects)	-	2 365	2 365
Zhivoy ruchey	614	592 894	592 894
Morscoy kaskad, morskoy fasad	-	4 005	4 005
Grazhdanka-City	8 909	109 375	109 375
V. O. Birzhevoy passage, 12	-	25 994	25 994
House in Serebrystiy	-	2 043	2 043
House in Ozerki	-	584	584
Zolotaya Gavan'	739	1 346 047	1 346 047
HC Polezhaevskiy	498	385 202	385 202
The house in the street Rudnev	112	321 472	321 472
Ol'minskogo st.	-	829	829
House in Avangardnaya st.	-	3 584	3 584
Housing complex "Yuzhniy "Raduga"	4 463 392	1 846 726	1 846 726
Novoye sozvezdie	10 100	1 970 322	1 970 322
Novaye Grazhdanka	-	151	151
Yubileiny kvartal	6 211 578	1 654 918	1 232 692
House in Bryantseva st.	1 627	42 603	42 603
Orbita (HC Academicheskije vysoty)	1 244 124	-	-
Infrastructure objects	2 570 517	614 548	402 762
Other objects	996 532	1 016 592	720 218
TOTAL	15 508 742	9 940 336	9 009 950

Object comparison for the year 2007 and 2008 shows that the largest objects of building during 2008 year were objects: Housing complex "Yuzhniy "Raduga" and «Yubileiny kvartal».

Flats redeemed for further re-sale (in particular – at the secondary market) in amount of RR'000 22 805 as well as flats built at Company's own account or at account of saved assets of depositors in amount of RR'000 7 705 374 are included in finished goods and goods for re-sale.

12. Financial assets (short-term)

As at December 31, 2008 short-term financial assets include the following items:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Held-to-maturity investments	1 185 672	136 715
Deposits	1 185 672	136 715
Financial assets at fair value through profit or loss	1 298 561	106 215
Loans given to legal entities	71 060	18 106
Loans given to related companies	14 883	14 030
Loans given to other companies	56 177	4 076
TOTAL	2 555 293	261 036

The balance of loans to legal entities include the amount lent to:

- subsidiary company OJSC "SMU "Elektronstroy" (RR'000 12 500 – principal amount, RR'000 254 - interest);
- subsidiary company LLC "Kamenka" (RR'000 1 630 – principal amount, RR'000 6 - interest);
- interest of RR'000 493 on loan given to subsidiary company CJCS "SPb MFIC";
- amounts lent to other companies.

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13. Cash and cash equivalents

As at December 31, 2008 cash and cash equivalents consist of the following items:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Cash	21 746	9 385
Cash on hand	632	1 404
Current and settlement accounts	18 514	3 181
Cash in transit	2 600	4 800
TOTAL	21 746	9 385

14. Other current assets

Prepaid expenses have the following structure:

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Prepaid expenses		
Advertising	1 047	35 499
Agent services in individual share contracts	-	19 486
Investment projects (cession of rights)	-	10 820
Insurance	284	214
Other	-	4 732
TOTAL	1 331	70 751

15. Borrowings

Long-term bank loans comprise a loan provided by the company "Golden Ring Finance S.A." (Luxemburg) amounting to RR'000 2 719 668 at historical cost (long-term amortized cost RR'000 2 542 414) and a bank loan obtained from Amsterdam Trade Bank amounting to RR'000 82 730 at historical cost (long-term amortized cost RR'000 79 170). Loans are transferred by OJSC "Alfa-Bank", a bank loan from "Severnaya stolitsa" branch of ZAO Raiffeisenbank amounting to RR'000 171 311 at historical cost (long-term amortized cost RR'000 166 526)

Short-term bank loans comprise a bank loan from Amsterdam Trade Bank in amount of RR'000 79 303, a bank loan from "Rosbank" in amount of RR'000 1 426 394, a bank loan from bank "VTB" in amount of RR'000 1 028 314, a bank loan from OJCS "Alfa-Bank" in amount RR'000 58 761, a bank loan from "Severnaya stolitsa" branch of ZAO Raiffeisenbank in amount RR'000 298 775 and a bank loan from "Golden Ring Finance S.A." (Luxemburg) in amount RR'000 218 372.

The Company has set off long-term and short-term liabilities to the banks (principal amount) for redeemed obligations (bonds of Golden Ring Finance S. A.) in amount of 000'RR 381 045 and 000' RR 32 861 respectively.

As at December 31, 2008, borrowings of LenSpetsSMU can be represented as follows:

(a) Bank borrowings	Total, borrowings
Undiscounted principal amount at the beginning of the period	4 322 218
Received (principal amount)	7 929 622
including foreign exchange difference	1 264 858
Repaid (principal amount)	(6 168 212)
including foreign exchange difference	(251 345)
Repaid Golden Ring borrowings by bonds	(413 906)
Balance at the end of the period (principal amount)	5 669 722
Balance at the beginning of the period (interest)	48 569
Charging of an expenses (interest)	535 983
including foreign exchange difference	5 391
Paid up (interest)	(515 148)
including foreign exchange difference	(2 592)
Balance at the end of the period (interest)	69 404
Balance at the end of the period (principal amount) in currency of liabilities	5 669 722

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- Russian rubles borrowings	165 975
- US dollars borrowings	5 503 747
Total, borrowings (principal amount) at the end of period at cost	5 669 722
Payables within 12 months after the balance sheet date (principal amount) at the end of the period	3 077 058
Payables within 2 years after the balance sheet date (principal amount) at the end of the period	204 098
Payables within 3 years after the balance sheet date (principal amount) at the end of the period	14 163
Payables within 4 years after the balance sheet date (principal amount) at the end of the period	2 374 403
Payables within 5 years after the balance sheet date (principal amount) at the end of the period	-
Total, borrowings (interest) at the end of period at cost	69 404
Payables within 12 months after the balance sheet date (interest) at the end of the period	69 404
Total, borrowings (principal amount and interest) without effect of discounting of the future payments	5 739 126
Total, payables (principal amount and interest) at the end of the period at the amortized (balance) cost	5 553 527
including interest	69 404

Corporate borrowings comprise a short-term loan to LCC "Sirana" in amount of RR'000 900 and long-term loan from LLC "Wertikal" in amount RR'000 8 909 at historical cost (long-term amortized cost RR'000 6 876) and short-term loan from LLC "Wertikal" in amount RR'000 41.

(b) **Corporate borrowings**

	As at December 31, 2008 '000 RR
Balance at the beginning of the period (principal amount) without effect of discounting of the future payments	-
Received (principal amount)	66 502
Repaid (principal amount)	(56 652)
Balance at the end of the period (principal amount)	9 850
Balance at the beginning of the period (interest), transient	-
Charged to expenses (interest)	3
Capitalized (interest)	-
Paid up (interest)	-
- including taxes	-
Balance at the end of the period (interest)	3
Balance at the end of the period (principal amount) in the following currencies	9 850
Russian rubles borrowings	9 850
US dollars borrowings	-
Total, balance at the end of the period (principal amount and interest) without effect of discounting of the future payments	9 853
Payables within 12 months after the balance sheet date (principal amount) at the end of the period	941
Payables within 12 months after the balance sheet date (interest) at the end of the period	3
Payables within 2 years after the balance sheet date at the end of the period	8 909
Payables within 3 years after the balance sheet date at the end of the period	-
Total, payables (principal amount and interest) at the end of the period at the amortized cost	7 820

16. Liabilities

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR (revised)	As at 31 December, 2007 000' RR
Short-term liabilities, including	25 575 351	11 690 534	11 806 956
Payables to suppliers and contractors	5 164 158	2 039 785	2 152 866
Advance payments received on primary activity	18 468 583	8 912 672	8 912 672
Taxes payable	1 193	31 741	31 741
Accrued provisions	1 797 065	535 423	538 764
Other short-term liabilities, including	144 352	170 913	170 913
Long-term liabilities	229 390	323 150	323 150
Other long-term liabilities, including	229 390	-	-
Advance payments received on primary activity	-	323 150	323 150
TOTAL	25 804 741	12 013 684	12 130 106

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

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

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

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

Short-term liabilities in the amount of RR'000 5 164 158 include settlements for construction works with related companies in amount of RR'000 3 306 094, with the company CJCS "Novator" (construction works at objects " Zolotaya Gavan ", "Yubileiny kvartal", "Academicheskije vysoty" and others) in amount of RR'000 345 836, with OJCS "Energogaran" in amount of RR'000 189 538 (construction works – electricity nets), with CJCS "EtalonPromstroy" in amount of RR'000 142 985 (construction works) as well as other settlements for construction and other works related to construction of apartments and premises, in amount of RR'000 1 179 705.

	As at 31 December, 2008 000' RR	As at 31 December, 2007 000' RR
Other short-term liabilities, including		
Payables to personnel and accompanying liabilities	3 280	5 343
Other accounts receivable	141 072	165 570
TOTAL	144 352	170 913

Other short-term liabilities in total amount of RR'000 141 072 include settlements with share participants in amount of RR'000 80 666.

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

	Liabilities, total, including	Liabilities for settlements with suppliers and contractors	Advances received on primary activity	Other short- term liabilities
CJSC "SPb MFTC"	1 029 091	1 029 091	-	-
CJSC "CUN"	2 340 462	1 854 055	481 635	4 772
CJSC "LenSpetsSMU – Reconstruction"	357 091	357 091	-	-
CJSC "AKTIV"	39 720	27 017	12 229	474
OJCS "SMU" "Elektronstroy"	15 107	15 107	-	-
CJSC "Building materials factory "Etalon"	23 733	23 733	-	-
TOTAL	3 805 204	3 306 094	493 864	5 246

17. Share capital

As at December 31, 2008 declared, registered and paid-up share capital of the Company consisted of 200 shares of nominal value of 1 000 rubles per share.

Shareholders of the company as at December 31, 2008 were:

Shareholder	Quantity of shares	Participation share, %	Nominal	The sum corrected taking into account inflation
CJSC "The operating company - building holding "Etalon – LenSpetsSMU"	985	98,5%	197	1 218
Other	15	1,5%	3	19
	1 000	100%	200	1 237

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18. Revenue

	2008	2007 (revised)	2007
Proceeds from sales			
Commissioning of construction objects	2 934 756	3 859 822	3 859 822
Flats of the secondary market	990	15 730	15 730
Own flats	5 605 850	2 359 525	2 359 525
Built-in premises	424 116	203 767	203 767
Construction works	525 360	17 107	17 107
Rent	22 894	7 808	7 808
Sales of other works, goods and services	17 784	14 909	14 909
TOTAL	9 531 750	6 478 668	6 478 668

19. Cost of sales

	2008	2007 (revised)	2007
Cost of sales			
Commissioning of construction objects	2 263 917	2 789 936	2 789 936
Own flats	3 643 431	1 415 694	1 253 834
Built-in premises	325 990	151 005	144 778
Flats of the secondary market	1 208	7 439	7 180
Construction works	406 060	1 194	1 194
Material expenses	117 164	1 061	1 061
Wages and other payments to personnel	53	277	277
Depreciation	4 023	211	211
Other costs	14 579	25 623	44 510
TOTAL	6 776 425	4 392 440	4 242 981

20. Selling and administrative expenses

Selling and administrative and operating expenses for the year 2008 included the following items:

	2008	2007 (revised)	2007
Selling expenses	69 558	62 413	209 785
Advertising and marketing	66 756	62 413	62 413
Agent services	-	-	90 845
Trade expenses	-	-	54 659
Other costs	2 802	-	1 868
General and administrative expenses	376 998	301 045	301 391
Wages and other payments to personnel	170 889	131 326	131 326
Depreciation	3 296	3 644	1 904
Rent	15 976	11 084	11 084
Materials	314	905	1 985
Consulting, legal, audit and other professional services	7 874	5 025	5 528
Communication services	1 069	1 038	1 038
Management services	139 468	115 932	115 932
Transport	12 255	11 309	11 309
Maintenance expenses	108	9 289	13 018
Other costs	25 749	11 493	8 267
Total selling and administrative expenses	446 556	363 458	511 176

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21. Other operating income and expenses - net

	2008	2007 (revised)	2007
Other operating income (expenses)			
Provision for bad debts	(25 238)	22 339	22 339
Incomes (expenses) of realization of shares in GSCS	64 756	39 007	39 007
Settlements after acceptance of the house by State commission	(3 625)	(12 359)	(12 359)
Social services	(11 763)	(21 526)	(21 526)
Write off of accounts payable/accounts receivable	(861)	(3 076)	(3 076)
Income from participation in other organizations	19 483	68 316	68 316
Bank commissions	(23 246)	(38 879)	(38 879)
Provisions for litigations	81	1 450	1 450
Provision for impairment of materials	(3 730)	(8 296)	(8 296)
Fees, fines, forfeits	(48)	(10 792)	(10 792)
Income/ expenses related to liquidation and write-off of an assets	48 138	2 008	2 008
Provision for impairment of financial assets	(380)	-	-
Income/ expenses from sales of financial assets	(824)	-	-
Other income / (expenses)	12 241	(194 260)	(115 795)
Total other operating income / (expenses)	74 984	(156 068)	(77 603)

22. Net finance expenses

	2008	2007 (revised)	2007
Interest expense	(549 385)	(304 725)	(304 725)
Interest income	30 776	29 929	29 929
Interest from financial leasing	12 416	-	-
Accumulated coupon income	716	-	-
Foreign exchange gain/(loss)	(955 372)	176 698	176 727
Income/(expense) from change of fair value of long-term borrowings and loans	273 147	(42 775)	(42 775)
TOTAL	(1 187 702)	(140 873)	(140 844)

23. Related party transactions

Company performs production operations with the following subsidiaries:

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

The Company also performs operations with the following associated companies:

	Share of CJSC SSMO "LenSpetsSMU"
CJSC "LenSpetsSMU – Reconstruction"	25%
CJSC "Building materials factory "Etalon"	25%
CJSC "Zatonskoye"	48%

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

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

	December 31, 2008 '000 RR	December 31, 2007 '000 RR
Key management personnel	14 946	2 059

24. Financial risk management

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

The Company's activities expose it to credit risk, liquidity risk, foreign currency risk and interest rate risk. The risk management policies employed by the Company 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 balance sheet date. The Company 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 balance sheet.

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 Company considers bad and doubtful debt provision is adequate for compensation of prospective losses resulting from doubtful debts repayment failure.

The Company 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 Company. 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 Company 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 Company's financial liabilities at the reporting date based on contractual undiscounted payments.

31 December 2008 '000 RUR	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	3 147 365	2 601 614	-	5 748 979
Trade and other payables	7 105 575	229 390	-	7 334 965
	10 252 940	2 831 004	-	13 083 944
31 December 2007 '000 RUR (revised)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	1 792 988	2 577 799	-	4 370 787
Trade and other payables	2 746 121	-	-	2 746 121
	4 539 109	2 577 799	-	7 116 908

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31 December 2007 '000 RUR	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	1 792 988	2 577 799	-	4 370 787
Trade and other payables	2 862 543	-	-	2 862 543
	4 655 531	2 577 799	-	7 233 330

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

At 31 December 2008, if the Russian rouble weakened against US dollar by 15% with all other variables held constant, the Company's profit before taxation would reduce at 528 205 '000 RUR, mainly due to foreign exchange differences arising on loans, borrowings and investments nominated in US dollars.

The major portion of costs and investments of the Company is nominated in Russian roubles and therefore not exposed to foreign currency risk. The Company does not export its production. Import of equipment and fixtures is relatively insignificant being compared to the total purchases. The Company 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 Company 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 Company 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 Company's exposure to interest rate risk is reduced to minimum.

Capital risk management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern while maximising the return to stakeholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company'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 Company 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 Company 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.

25. Industry risk management

The Company 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 Company is rendering construction services, which include implementing all stages of the investment and construction process. Industry risks of the Company include the following:

- The risk of reduction of demand in the real estate market. The Company 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 Company monitors the changes in both the current structure of the

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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 Company's core business. To minimize the existing risk the Company 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 LenSpetsSMU";

The risk of change in purchase prices for construction materials used by the Company in its activities. The Company 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 Company to avoid both abrupt change in purchase prices and lack of supply in construction materials.

26. Contingencies

Taxation

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

Guarantees of liabilities issued

As at December 31, 2008 there were guarantees of liabilities issued by the CJSC SSMO "LenSpetsSMU" in total amount of '000 RR 2 674 133 including bonds issues (serial number 01 and 02, issuer - CJSC "CUN) in amount of RR'000 681 884. Securities include bonds in total amount of RR'000 579 947, nominal value – RR'000 1 per bond.

27. Events subsequent to Balance sheet date

In March 2009 the Company exercised novation of loan finance obtained from Golden Ring Finance S.A. in amount of USD'000 100 000. The amendments provide for:

- the right of the creditor to request for early repayment of the loan in April 2009 is cancelled;
- the requirement for compliance with financial covenants is softened;
- the borrower obtains the right to early repay the loan as from 20.08.2009;
- one-off settlement of loan in April 2012 is replaced by the amortization schedule providing for six equal quarterly repayments in the period from 20.05.2009 to 20.08.2010;
- increase in the interest rate from 9,75% to 12%;
- interest repayment period is reduced from 180 days to 90 days.