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CJSC SSMO “LenSpetsSMU”

Separate financial statements

*For the year ended 31 of December, 2009
including independent auditor's report*

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Separate financial statements of CJSC SSMO "LenSpetsSMU"

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Independent auditor's report

To the shareholders of CJSC SSMO "LenSpetsSMU"

We have audited the accompanying separate financial statements of CJSC SSMO "LenSpetsSMU" (the Entity), which comprise the separate statement of financial position as at December 31, 2009, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows 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 separate financial statements present fairly, in all material respects the financial position of the CJSC SSMO "LenSpetsSMU" as of December 31, 2009, 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. 12 2010



D. Vinokurov

3, Bld. 1, Krivokolenny side-street,
Moscow, 101000, Russia
Main: +7 (495) 621-10-15
Fax: +7 (495) 621-56-87

office@mkpcn.ru
www.mkpcn.ru

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Company CJSC SSMO "LenSpetsSMU"
Separate statement of financial position as at December 31, 2009

(Thousand of Russian rubles)

	Notes	At December 31, 2009 '000 RR	At December 31, 2008 '000 RR
ASSETS			
Non-current assets			
Property, plant and equipment	4	569 213	213 961
Intangible assets	5	475	1 187
Investment property	6	156 731	241
Financial assets (long-term)	7	2 683 309	2 309 441
Accounts receivable (long-term) and advances	8	758 735	951 972
		4 168 463	3 476 802
Current assets			
Inventories	10	22 034 225	24 958 894
Short-term investments	11	1 975 435	2 555 293
Accounts receivable (short-term) and advances	8	3 758 876	2 839 053
Corporate income tax recoverable		45	138 920
Other current assets	13	1 641	1 331
Cash and cash equivalents	12	1 312 820	21 746
		29 083 042	30 515 237
Total assets		33 251 505	33 992 039
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	16	1 237	1 237
Retained earnings		5 388 681	2 493 479
		5 389 918	2 494 716
Non-current liabilities			
Long-term borrowings	14	3 020 805	2 413 941
Advance payments received on primary activity (long-term)	15	325 075	229 390
Accounts payable and other liabilities (long-term)	15	104 522	-
Deferred tax liabilities	9	526 784	131 235
		3 977 186	2 774 566
Current liabilities			
Short term borrowings	14	2 783 102	3 147 406
Advance payments received on primary activity (short-term)	15	15 056 650	18 468 583
Accounts payable and other liabilities (short-term)	15	5 881 238	7 106 768
Profit tax payable		163 411	-
		23 884 401	28 722 757
Total equity and Liabilities		33 251 505	33 992 039

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

General director
Chief accountant
May 10, 2010



Scherbina G.Ph.
Ignatyeva L.M.

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Company CJSC SSMO "LenSpetsSMU"

Separate statement of comprehensive income for the year ended December 31, 2009

(Thousand of Russian rubles)

	Notes	2009 '000 RR	2008 '000 RR
Revenue	17	16 113 392	9 531 750
Cost of sales	18	(10 557 818)	(6 776 425)
Gross profit		5 555 574	2 755 325
Selling expenses	19	(21 028)	(69 558)
General and administrative expenses	19	(360 162)	(376 998)
Taxes, other than income tax		(45 051)	(37 111)
Other operating income/(expenses) - net	20	(151 329)	74 980
Operating profit		4 978 004	2 346 642
Net finance expenses	21	(1 254 106)	(1 187 702)
Profit before income tax		3 723 898	1 158 940
Income tax expense	9	(828 696)	(288 872)
Net profit for the year*		2 895 202	870 068
Basic and diluted earnings on the share		2 895,20	870,07

* No Other comprehensive income was recognized by the Company in both 2009 and 2008.

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

General director

Chief accountant

May 12, 2010



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, 2009

(Thousand of Russian rubles)

	Share capital	Retained earnings	Total
Balance at December 31, 2007	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
Net profit for the year	-	2 895 202	2 895 202
Balance at December 31, 2009	1 237	5 388 681	5 389 918

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

General director

Chief accountant

May 12, 2009



Scherbina G.Ph.

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Company SCJC SSMO "LenSpetsSMU"

Separate statement of cash flows for the year ended December 31, 2009

(Thousand of Russian rubles)

	2009 '000 RR	2008 '000 RR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3 723 897	1 158 940
<u>Adjustments for:</u>	1 259 787	1 243 509
Depreciation and amortization	25 612	7 319
Profit from sale of financial assets	(244 661)	(64 897)
Other assets disposals	7 595	-
Foreign exchange loss	218 955	955 372
Interest expense	751 482	549 385
Interest income	(128 509)	(43 908)
Income from participation in related organizations	(11 375)	(19 483)
Provision for bad debts	131 205	25 238
Provision for impairment of inventories	73 463	3 730
Provisions for ongoing court litigations	21 195	(81)
Provision for impairment of financial assets	4 125	380
Other income and expenses	470 700	(169 546)
Operating profit before changes in working capital	4 983 684	2 402 449
Decrease/(Increase) in Accounts receivable and advances	(616 885)	567 520
Decrease/(Increase) in Inventories	2 529 492	(11 271 954)
Decrease/(Increase) in Accounts payable and advances from the principal activity	(4 620 263)	10 818 156
Change in Other assets and liabilities	(310)	69 420
Cash generated from operations	2 275 718	2 585 591
Income tax paid	(130 888)	(180 281)
Net cash from operating activities	2 144 830	2 405 310
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(225 575)	(89 702)
Proceeds from sales of property, plant and equipment and intangible assets	1 873	603
{ Acquisition)/ sale of securities and other financial assets	(689 196)	(1 346 242)
{ Acquisition)/ repayment of deposits	1 185 672	(978 200)
Income from participation in other organizations	11 375	19 514
Contributions to share capital	(373 050)	(9 000)
Disbursements of loans given	(587 770)	(354 534)
Repayments of loans given	65 681	118 795
Interest received	78 650	28 747
Net cash used in investing activities	(532 340)	(2 610 019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	8 701 816	6 731 266
Repayment of borrowings	(8 470 460)	(5 973 519)
Interest paid	(771 248)	(582 051)
Net cash from/(used in) financing activities	(539 892)	175 696
Influence of change in exchange rate on cash and cash equivalents	218 476	41 374
Net increase in cash and cash equivalents	1 291 074	12 361
Cash and cash equivalents at the beginning of the period	21 746	9 385
Cash and cash equivalents at the end of the period	1 312 820	21 746

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

General director

Chief accountant

May 12, 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, 2009

(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 10,9% of the whole building market of Saint-Petersburg. In 2009 CJSC SSMO "LenSpetsSMU" constructed buildings totalling 284 037,6 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.

The Company is a member of self-regulated organization based on membership of bodies performing building and construction works – Not-for-profit partnership "Association of constructors of Saint Petersburg", registration number CPO-C-003-22042009. The Company has the following certificates and permissions:

- permission to perform the functions of general subcontractor (№ ГП-112-2009-7802084569-C-3);
- certificate for access to works which influence safety of capital construction objects (№0112-2009-7802084569-C-3);
- permission to perform the functions of technical supervision (functions of building developer) №33-112-2009-7802084569-C-3.

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

In 2009 185 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 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 December, 31 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%

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(Thousand of Russian rubles)

(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 December, 31 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 financial statement 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.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hands, cash in bank accounts and short-term high-liquid bank deposits (maturity less than 3 months) free from any obligations.

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 statement of comprehensive income.

Inventories

For accounting of construction in progress the company CJSC SSMO «LenSpetsSMU» applies IAS 2 "Inventories".

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.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(Thousand of Russian rubles)

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 statement of comprehensive income.

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:

	<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 statement of comprehensive income of the current accounting period within administrative and operating expenses.

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

Advance payments received on principal activities and accounts payable

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.

Accounts payable are stated at cost.

Intangible assets

Licenses

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

Software

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

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(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 statement of comprehensive income 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.

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 statement of financial position 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 financial statement 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 or purchase of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized in the cost of that asset.

Share capital

Share capital is stated at historical cost, except for the part that was received in cash before January 01, 2003 and which was adjusted for the effects of inflation, contributions to share capital in the form of assets other than cash are recognized at fair value on the date of contribution.

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

Interest income and expense

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, 2009

(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.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(Thousand of Russian rubles)

4. Fixed assets

Fixed assets flows during 2009 are as follows:

	TOTAL	Land plots	Buildings and constructions	Machines and equipment	Vehicles	Other FA
Cost as at 31 of December, 2008	316 358	33 343	233 884	39 197	59	9 875
Additions	455 502	-	271 169	183 840	-	493
Disposals	(79 804)	(33 343)	(28 966)	(8 648)	(59)	(8 788)
Cost as at 31 of December, 2009	692 056	-	476 087	214 389	-	1 580
Accumulated depreciation as at 31 of December, 2008	(102 397)	-	(69 314)	(24 536)	(59)	(8 488)
Depreciation accrued for the period	(57 998)	-	(36 937)	(20 891)	-	(170)
Depreciation on disposals	37 552	-	22 619	7 016	59	7 858
Accumulated depreciation as at 31 of December, 2009	(122 843)	-	(83 632)	(38 411)	-	(800)
Net book value as at 31 of December, 2008	213 961	33 343	164 570	14 661	-	1 387
Net book value as at 31 of December, 2009	569 213	-	392 455	175 978	-	780
Cost as at 31 of December, 2007	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	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

5. Intangible assets

Intangible assets of the Company include software, trade marks in total amount of RR'000 475. Intangible assets were not impaired.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(Thousand of Russian rubles)

6. Investment property

'000 RR	As at 31 December, 2009 000' RR	As at 31 December 2008 000' RR
<i>Cost</i>		
At the beginning of accounting period	260	-
Additions	157 331	260
At the end of accounting period	157 591	260
<i>Depreciation</i>		
At the beginning of the accounting period	(19)	-
Depreciation charge for the period	(841)	(19)
At the end of the accounting period	(860)	(19)
Net book value at the beginning of accounting period	241	-
Net book value at the end of accounting period	156 731	241

7. Financial assets (long-term)

As at December 31, 2009 the Company's long-term financial assets comprise the following:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Long-term financial investments		
Investments in equity capital of subsidiaries and associates	2 651 423	2 278 373
Long-term equity investments	434	446
Available-for-sale investments	-	-
Held-to-maturity investments	-	12 049
Loans given to legal entities	35 957	18 953
Provision for impairment of financial assets	(4 505)	(380)
TOTAL	2 683 309	2 309 441

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

	As at 31 December, 2009 000' RR
CJSC "SPb MFIC"	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"	973 050
TOTAL	2 651 423

Long-term loans given of CJSC SSMO "LenSpetsSMU" in total amount of RR'000 31 967 include the loans given to LLC "Severnaya visota and K".

Loans given to legal entities are denominated in Russian rubles and are stated at amortized cost using effective interest rate. The effective interest rate was 14,1% at December 31, 2008 and 12,96% at December 31, 2009.

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Company CJSC SSMO "LenSpetsSMU"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS As at 31 of December, 2009

(Thousand of Russian rubles)

8. Accounts receivable

As at December 31, 2009 accounts receivable of the Company are analysed as follows:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Accounts receivable (long-term):	758 735	951 972
Accounts receivable for the principal activities	208 345	111 016
Advances to suppliers for the principal activities	525 121	714 327
Accounts receivable for leasing	24 777	126 629
Other accounts receivable	492	-
Accounts receivable (short-term):	3 758 876	2 839 053
Accounts receivable for the principal activities	1 414 881	827 666
Accounts receivable for the principal activities	1 167 357	60 139
Accounts receivable accompanied promissory notes	247 524	767 527
Advances to suppliers for the principal activities given	1 341 421	1 410 674
Other accounts receivable and advances	282 765	203 547
Accounts receivable for finance lease	52 346	19 436
Provision for bad debts	(133 910)	(48 260)
Provision for finance lease receivables	(45 555)	-
Taxes recoverable (other than income tax)	846 928	425 990
VAT recoverable	846 606	420 257
Other taxes receivable	322	5 733
TOTAL	4 517 611	3 791 025

The major debtors for advances given are CJSC "Sankt-Petersburgskie elektricheskie seti" (settlements for electricity), CJSC "LenEnergO" (settlements for heating), GUP "Vodokanal" (settlements for connection to water supplying networks), LLC "MNP-1" and LLC "Meridian" (building and assembly works).

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, 2009 000' RR	As at 31 December, 2008 000' RR
Accounts receivable (long-term)		
Advances given	496 087	281 145
CJSC "Zatonskoye"	496 087	281 145
TOTAL	496 087	281 145
Accounts receivable (short-term)		
Accounts receivable for principal activities	465 455	373 547
CJSC "SPb MFTC"	352	-
CJSC "AKTIV"	77	373 051
CJSC "CUN"	465 026	294
CJSC "LenSpetsSMU – Reconstruction"	-	202
Advances given	3	420 923
CJSC "SPb MFTC"	-	224 399
CJSC "AKTIV"	3	30
CJSC "CUN"	-	196 494
Other accounts receivable and advances given	5 674	12 726
CJSC "SPb MFTC"	245	135
OJSC "SMU "Elektronstroy"	-	254
CJSC "AKTIV"	174	123
CJSC "CUN"	5 113	6 900
CJSC "LenSpetsSMU – Reconstruction"	-	5 314
LLC "Kamenka"	142	-

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TOTAL 471 132 807 196

9. Income taxes

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

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Deferred tax assets	1 996 274	883 595
Fixed assets & Intangible Assets	85 058	27 639
Financial investments	545	70 558
Trade accounts receivable	112 836	20 432
Inventories	1 441 119	677 422
Prepaid expenses	21 980	87 544
Loans and borrowings	256 000	-
Accounts payable	78 736	-
Deferred tax liabilities	(2 523 058)	(1 014 830)
Advances received	(1 918 754)	(763 357)
Loans and borrowings	-	(120 308)
Investments	(33 558)	(870)
Accounts receivable	(112 488)	-
Accounts payable	(458 258)	(107 994)
Other current assets	-	(22 301)
Total, net deferred assets (liabilities)	(526 784)	(131 235)

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

	2009 000' RR	2008 000' RR
Current income tax	(433 146)	(165 246)
Expenses from origination and reversal of temporary differences	(395 550)	(123 626)
TOTAL income tax	(828 696)	(288 872)

The Company files tax returns for different taxes including income tax. The applicable rate of corporate income tax in the Russian Federation is 20%.

10. Inventories

As at December 31, 2009 the inventories of the Company include the following items:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Finished products and goods for re-sale	11 586 390	8 403 637
Secondary market apartments	29 118	22 805
Apartments belonging to the Company	9 645 572	7 705 374
Built-in premises	1 997 189	679 726
Other	-	3 451
Provision for impairment of goods	(85 489)	(7 719)
Construction materials	28 114	35 678
Other	1 020	43
Provision for impairment of materials	-	(4 307)
Work in progress	10 418 701	16 523 843
Construction in progress of apartment and commercial building objects	9 832 371	15 508 742
Construction in progress of garage building objects	586 330	1 015 101
TOTAL	22 034 225	24 958 894

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Work in progress in amount RR'000 9 832 371 include the following objects:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Dom na Optikov	317 116	296 653
Talisman	369 032	79 486
Technopark	88 057	77 455
Grazhdanka-CITY	502	8 909
AURA (business centre)	933 138	789 042
Housing Complex "Yuzhniy "Raduga"	502 774	4 463 392
Novoye sozvezdie	1 081	10 100
Yubileiny kvartal	5 293 358	6 211 578
Orbita (HC Academicheskije vysoty)	1 540 718	1 244 124
Infrastructure objects	459 402	1 781 475
Other objects	327 193	546 528
TOTAL	9 832 371	15 508 742

Object comparison for the year 2008 and 2009 shows that the largest objects of building during 2009 year were objects: Housing complex "Yuzhniy "Raduga"; Orbita", "AURA" and "Yubileiny kvartal".

Flats redeemed for further re-sale (in particular – at the secondary market) in amount of RR'000 29 118 as well as flats built at Company's own account or at account of saved assets of depositors in amount of RR'000 9 645 572 are included in finished goods and goods for re-sale.

11. Financial assets (short-term)

As at December 31, 2009 short-term financial assets include the following items:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Held-to-maturity investments	-	1 185 672
Deposits	-	1 185 672
Financial assets at fair value through profit or loss	1 423 781	1 298 561
Loans given to legal entities	551 654	71 060
Loans given to related companies	406 382	14 883
Loans given to other companies	145 272	56 177
TOTAL	1 975 435	2 555 293

The balance of loans to legal entities include the amount given to subsidiary company CJSC "CUN" (in the amount of RR'000 402 000 – principal amount, RR'000 1 079 - interest); given to subsidiary company LLC "Kamenka" (in the amount of RR'000 2 800 – principal amount, RR'000 10 - interest); interest on loan given to subsidiary company CJCS "SPb MFIC" (in the amount of RR'000 493) and amounts lent to other companies.

12. Cash and cash equivalents

As at December 31, 2009 cash and cash equivalents consist of the following items:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Cash		
Cash on hand	949	632
Current and settlement accounts	10 521	18 514
Deposits	1 301 000	-
Cash in transit	350	2 600
TOTAL	1 312 820	21 746

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13. Other current assets

Prepaid expenses have the following structure:

	As at 31 December, 2009 000' RR	As at 31 December, 2008 000' RR
Prepaid expenses		
Advertising	37	1 047
Insurance	1 604	284
TOTAL	1 641	1 331

14. Loans and borrowings

Long-term bank borrowings comprised a loan provided by LLC AKB "Rosbank" initially recognized at RR'000 207 731 (amortised cost RR'000 208 424), a loan from OJSC "Alfa-Bank" initially recognized at RR'000 250 018 (amortised cost RR'000 252 488).

Short-term bank loans comprise a loan from LLC AKB "Rosbank" in amount of RR'000 855 540, a loan from Golden Ring Finance S.A. in amount of RR'000 754 725, a loan obtained from "Severnaya stolitsa" branch of ZAO Raiffeisenbank amounting to RR'000 194 530, a loan from OJSC "Alfa-Bank" in amount of RR'000 207 834; a loan obtained from LLC "PromSvyazBank" amounting to RR'000 72 585 and other bank loans in the total amount of RR'000 23.

In the year 2009 the offset of a portion of loans obtained from banks against repurchased debt (bonds of Golden Ring Finance S.A.) was made in the amount of RR'000 583 938.

(a) Bank borrowings

	As at December 31, 2009 '000 RR
Undiscounted principal amount at the beginning of the period	5 669 722
Received (principal amount)	6 715 686
including foreign exchange difference	1 481 196
Repaid (principal amount)	(9 305 024)
including foreign exchange difference	(1 235 024)
Repaid Golden Ring borrowings by bonds	(583 938)
Balance at the end of the period (principal amount)	2 496 446
Balance at the beginning of the period (interest)	69 404
Charging of an expenses (interest)	644 658
including foreign exchange difference	13 644
Interest offset	(30 397)
Paid up (interest)	(672 749)
including foreign exchange difference	(3 046)
Balance at the end of the period (interest)	10 916
Balance at the end of the period (principal amount) in currency of liabilities	2 496 446
- Russian rubles borrowings	23
- US dollars borrowings	2 496 423
Total, borrowings (principal amount) at the end of period at cost	2 496 446
Payables within 12 months after the financial statement date (principal amount) at the end of the period	2 038 697
Payables within 2 years after the financial statement date (principal amount) at the end of the period	411 375
Payables within 3 years after the financial statement date (principal amount) at the end of the period	46 374
Payables within 4 years after the financial statement date (principal amount) at the end of the period	-
Payables within 5 years after the financial statement date (principal amount) at the end of the period	-
Total, borrowings (interest) at the end of period at cost	10 916
Payables within 12 months after the financial statement date (interest) at the end of the period	10 916
Total, borrowings (principal amount and interest) without effect of discounting of the future payments	2 507 362
Total, payables (principal amount and interest) at the end of the period at the amortized (balance) cost	2 557 065

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including interest 10 916

Long-term borrowings comprise bond issues (with OJSC "Alfa Bank" and OJSC "Promsvyabank" acted as underwriters) in the total amount of RR'000 1 600 000 at initial cost (RR'000 1 587 060 at amortised cost), borrowings from 'Lizingovaya kompania «SV-transport»' in amount of RR'000 590 375, borrowings from CJSC "Demetra" in amount of RR'000 382 458.

Short-term borrowings comprise bond issues (with OJSC "Alfa Bank" and OJSC "Promsvyabank" acted as underwriters) in the total amount of RR'000 388 593, other borrowings in the total amount of RR'000 11 563, borrowings from subsidiary company LLC "Vertikal" in amount of RR'000 8 007, borrowings from 'Lizingovaya kompania «SV-transport»' in amount of RR'000 162 040, borrowings from CJSC "Demetra" in amount of RR'000 104 762.

(b) Corporate borrowings

	As at December 31, 2009 '000 RR
Balance at the beginning of the period (principal amount) without effect of discounting of the future payments	9 850
Received (principal amount)	3 499 695
including foreign exchange difference	32 369
Repaid (principal amount)	(400 460)
Balance at the end of the period (principal amount)	3 109 085
Balance at the beginning of the period (interest), transient	3
Charged to expenses (interest)	113 526
Paid up (interest)	(101 545)
Balance at the end of the period (interest)	11 984
Balance at the end of the period (principal amount) in the following currencies	3 109 085
- Russian rubles borrowings	2 009 470
- US dollars borrowings	1 099 615
Total, balance at the end of the period (principal amount and interest) without effect of discounting of the future payments	3 121 069
Payables within 12 months after the financial statement date (principal amount) at the end of the period	629 397
Payables within 12 months after the financial statement date (interest) at the end of the period	11 984
Payables within 2 years after the financial statement date at the end of the period	219 922
Payables within 3 years after the financial statement date at the end of the period	1 819 922
Payables within 4 years after the financial statement date at the end of the period	219 922
Payables within 5 years after the financial statement date at the end of the period	219 922
Total, payables (principal amount and interest) at the end of the period at the amortized cost	3 246 842
including interest	11 984

15. Liabilities

	As at 31 December, 2009 '000' RR	As at 31 December, 2008 '000' RR
Short-term liabilities, including	20 937 888	25 575 351
Payables to suppliers and contractors	2 757 380	5 164 158
Advance payments received on primary activity	15 056 650	18 468 583
Salary payable	13 350	3 280
Taxes payable	10 256	1 193
Accrued provisions	2 475 869	1 797 065
Short-term finance lease liability	24 096	-
Other short-term liabilities	600 287	141 072
Long-term liabilities, including	429 597	229 390
Trade accounts payable	35 917	-
Long-term finance lease liability	68 605	-
Advance payments received on primary activity	325 075	-
Other long-term liabilities	-	229 390
TOTAL	21 367 485	25 804 741

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CJSC "CUN" sales apartments and built-in- premises mainly through concluding contracts of preliminary purchase and sale (PPS).

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

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

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

Short-term liabilities in the amount of RR'000 2 757 380 include settlements for construction works with related companies in amount of RR'000 1 808 846, with the company CJCS "Novator" in amount of RR'000 209 585, with CJCS "EtalonPromstroy" in amount of RR'000 165 074 (construction works) as well as other settlements for construction and other works related to construction of apartments and premises, in amount of RR'000 573 875.

Significant part of accounts payable of CJSC SSMO "LenSpetsSMU" is presented by 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"	1 500 088	1 499 918	-	170
CJSC "CUN"	1 272 616	933	1 096 130	175 553
CJSC "LenSpetsSMU – Reconstruction"	186 458	186 458	-	-
CJSC "AKTIV"	132 605	100 547	10 754	21 304
OJCS "SMU" "Elektronstroy"	461	461	-	-
CJSC "Building materials factory "Etalon"	23 029	20 529	-	2 500
TOTAL	3 115 257	1 808 846	1 106 884	199 527

16. Share capital

As at December 31, 2009 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, 2009 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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17. Revenue

	2009 <u>'000 RR</u>	2008 <u>'000 RR</u>
Proceeds from sales		
Apartments belonging to the Company	12 134 431	5 605 850
Built-in premises	1 878 826	424 116
Commissioning of construction objects	1 635 763	2 934 756
Construction works	394 761	525 360
Sales of other works, goods and services	41 680	17 784
Rent	16 931	22 894
Secondary market apartments	11 000	990
TOTAL	<u>16 113 392</u>	<u>9 531 750</u>

18. Cost of sales

	2009 <u>'000 RR</u>	2008 <u>'000 RR</u>
Cost of sales		
Apartments belonging to the Company	7 214 041	3 643 431
Built-in premises	1 597 607	325 990
Commissioning of construction objects	1 316 438	2 263 917
Construction works	324 120	406 060
Depreciation	23 298	4 023
Secondary market apartments	6 179	1 208
Material expenses	3 469	117 164
Maintenance expenses	901	38
Repair and maintenance	306	-
Other costs	71 459	14 594
TOTAL	<u>10 557 818</u>	<u>6 776 425</u>

Long-term construction contracts

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

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

	12 months ended December 31, 2009 <u>'000 RR</u>
Revenue from long-term construction contracts in the reporting period	1 069 891
Total costs incurred under long-term construction contracts which are in process at the end of reporting period	(1 045 917)
Total revenue recognized under long-term construction contracts which are in process at the end of reporting period	23 974
Gross amount due from customers for the long-term construction contracts	<u>617 592</u>

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19. Selling and administrative expenses

Selling and administrative and operating expenses for the year 2009 included the following items:

	2009 '000 RR	2008 '000 RR
Selling expenses	21 028	69 558
Advertising and marketing	15 991	66 756
Agent services	5 037	-
Other costs	-	2 802
General and administrative expenses	360 162	376 998
Wages and other payments to personnel	178 995	170 889
Management services	114 260	139 468
Rent	14 188	15 976
Consulting, legal, audit and other professional services	12 774	7 874
Maintenance expenses	10 102	108
Transport	6 122	12 255
Depreciation	2 314	3 296
Communication services	1 833	1 069
Materials	1 283	314
Other costs	18 291	25 749
Total selling and administrative expenses	381 190	446 556

20. Other operating income and expenses - net

	2009 '000 RR	2008 '000 RR
Other operating income (expenses)		
Provision for bad debts	224 976	63 932
Incomes (expenses) of realization of shares in GSCS	56 573	(48)
Settlements after acceptance of the house by State commission	11 375	19 483
Social services	(131 205)	(25 238)
Write off of accounts payable/accounts receivable	(83 299)	-
Income from participation in other organizations	(77 378)	(23 246)
Bank commissions	(73 463)	(11 449)
Provisions for litigations	(21 195)	81
Provision for impairment of materials	(19 194)	(3 625)
Fees, fines, forfeits	(12 716)	(19 054)
Income/ expenses related to liquidation and write-off of an assets	(9 503)	(861)
Provision for impairment of financial assets	(4 125)	(380)
Social costs	(3 943)	(11 763)
Income/ expenses from sales of financial assets	(3 840)	48 138
Reimbursement of expenses from other operations	(272)	-
Other income/ (expenses)	(4 120)	39 014
Total other operating income / (expenses)	(151 329)	74 984

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21. Net financial expenses

	2009 '000 RR	2008 '000 RR
Interest expense	128 509	31 492
Interest income	(744 540)	(549 385)
Change in amortized cost of financial assets	(412 178)	273 147
Net foreign exchange loss	(218 955)	(955 372)
Interest from finance lease	(6 942)	12 416
TOTAL	(1 254 106)	(1 187 702)

22. 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

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

	December 31, 2009 '000 RR	December 31, 2008 '000 RR
Key management personnel	24 674	14 946

23. 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 financial statement date. The Company has no significant concentrations of credit risk.

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The maximum exposure to credit risk is represented by the carrying amount of financial assets in the 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 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 2009 '000 RUR	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Loans and borrowings	2 783 102	3 020 805	-	5 803 907
Trade and other payables	5 870 982	104 522	-	5 975 504
	8 654 084	3 125 327	-	11 779 411

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

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 December 31, 2009, 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 510 848 '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.

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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 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 LenSpesSMU";

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.

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Guarantees issued

CJSC SSMO "LenSpetsSMU" issued guarantees related to main activities amounting to '000 RR 3 356 889.

27. Events subsequent to financial statement date

Subsequent to reporting date the Company had repaid the following principal of loans and borrowings:

- on January 26, April 01, April 05, April 14, 2010 four tranches of USD loan from LLC AKB "Rosbank" were repaid in advance in the total amount of '000 RUR 830 929 (USD'000 27 474);
- on February 09, 2010 the USD loan from LLC "PromSvyaz'Bank" was repaid in advance in the amount of '000 RUR 72 586 (USD'000 2 400);
- on February 17, 2010 the 4th amortisation payment of loan from Golden Ring Finance S.A. in the amount of '000 RUR 245 976 (USD'000 8 133) was made;
- on April 22, 2010 the lease payment for borrowing from OJSC "Severnaya Veneciya" was made in advance in the amount of '000 RUR 15 757 (USD'000 521).

Also during the period from January, 2010 till April, 2010 the Company made planned amortization payments of loans from CJSC "Raiffeisenbank" in the total amount of '000 RUR 96 655 (USD'000 3 200) and OJSC "Alfa-Bank" in the total amount of '000 RUR 50 835 (USD'000 1 683).

During the period from January, 2010 till April, 2010 new bank loans were obtained in the total amount of USD'000 17 800 ('000 RUR 537 645), including:

- a loan from CJSC "Raiffeisenbank" in the total amount of USD'000 10 000 ('000 RUR 302 048);
- a loan from OJSC "Alexandrovsky" in the total amount of USD'000 7 800 ('000 RUR 235 597).

The USD exchange rate as at December 31, 2009 was 30,2442.