OJSC RTM

Consolidated Financial Statements
for the Year Ended 31 December 2006
together with Independent Auditor's Report

BDO Unicon
Auditors and Consultants

Contents

BDO Unicon
Auditors and Consultants

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of OJSC RTM and its subsidiaries (the Group).

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2006, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Group's management the consolidated financial statements for the year ended 31 December 2006 were authorized for issue on 2 July 2007 and signed by:

Alexei A. Linkov
General Director

Alexei S. Seleznev
Chief Financial Officer

Moscow

2 July 2007

BDO Unicon
Auditors and Consultants

Closed joint-stock company

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Independent Auditor's Report

To the Shareholders and the Board of Directors of OJSC RTM

We have audited the accompanying consolidated financial statements of the OJSC RTM and its subsidiaries hereinafter the Group, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statement of income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining control relevant to the preparation and fair presentation of 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 consolidated financial statements based on our audit.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 4 to these consolidated financial statements. In the absence of International Financial Reporting Standards or Interpretations containing specific guidance on transaction under common control management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition. A significant excess of the Group's interest in the net fair value of acquiree's net assets over cost in the amount of USD 53 202 thousand, was recognised in the consolidated statement of income for the year ended 31 December 2006, related to subsidiaries that were under common control of ultimate shareholders of the Group until the date of their acquisition (Note 26).

Without qualifying our opinion we draw attention to Note 6, Note 7, Note 8 and Note 23 to these consolidated financial statements. As at 31 December 2006 the Group has significant balances of investment property in the amount of USD 278 341 thousand (Note 6), land plots under development and construction in progress in the amount of USD 98 961 thousand (Note 7) and capital advances under construction contracts in the amount of USD 18 617 thousand (Note 8) that in the whole represent 79% of total assets of the Group. As described in Note 23 the concentration of Group's operations on real estate development affects the liquidity position of the Group, shareholders and management of the Group is confident in its ability to maintain sufficient financing.

Without qualifying our opinion we draw attention to Note 25 to these consolidated financial statements. As at 31 December 2006 the Group's assets in the amount of USD 269 709 thousand (54.0% of total assets) were pledged as collateral for the borrowings received. Shares of several companies of the Group were also pledged as a collateral against the borrowed funds (Notes 16 and 25).

Denis A. Taradov
ACCA
Partner

2 July 2007
BDO Unicon Inc.
125, Warshavskoye Shosse, Moscow, Russian Federation

BDO Unicon
Auditors and Consultants

(in thousands of US Dollars)

	Note	31 December 2006	31 December 2005
Assets			
Non-current assets			
Investment property	6	278 341	-
Land plots under development and construction in progress	7	98 961	-
Capital advances under construction contracts	8	18 617	-
VAT recoverable		23 932	-
Loans to customers	9	30 167	-
Goodwill	26	4 179	-
Deferred income tax assets	20	894	-
Fixed assets		587	-
Total non-current assets		**455 678**	**-**
Current assets			
Loans to customers	9	26 514	-
Accounts receivable	10	14 647	-
Cash and cash equivalents	11	2 340	-
Other assets	12	204	1
Total current assets		**43 705**	**1**
Total assets		**499 383**	**1**
Equity and liabilities			
Non-current liabilities			
Borrowings	16	156 916	-
Accounts payable	17	9 551	
Finance leases of land plots		73	-
Deferred income tax liabilities	20	42 710	-
Total non-current liabilities		**209 250**	**-**
Current liabilities			
Borrowings	16	91 292	1
Accounts payable	17	55 673	-
Total current liabilities		**146 965**	**1**
Total liabilities		**356 215**	**1**
Equity			
Share capital	13	4	-
Revaluation reserve for land plots under development		11 535	-
Retained earnings		126 018	-
Accumulated exchange differences		3 092	-
Equity attributable to the shareholders of the parent company		**140 649**	**-**
Minority interest	15	2 519	-
Total equity		**143 168**	**-**
Total equity and liabilities		**499 383**	**1**

Alexei A. Linkov
General Director

Alexei S. Seleznev
Chief Financial Officer

2 July 2007

(in thousands of US Dollars)

	Note	2006	2005
Operating income			
Revenue from investment property	18	15 890	-
Net gain from fair value adjustments on investment property	6	100 064	-
Operating expenses			
Repair and maintenance costs		(5 893)	-
Other direct property operating expenses		(3 237)	-
Land rent costs		(1 318)	-
Other expenses related to premises and equipment		(459)	-
Operating profit		**105 047**	**-**
Interest income		1 728	-
Interest expense	19	(11 068)	-
Foreign exchange gain		4 366	-
Gains less losses arising from financial assets held to maturity		2 613	-
Tax expenses (other than income tax)		(1 443)	-
Provisions for impairment of loans to customers, accounts receivable and other assets	21	(1 437)	-
Staff costs		(1 283)	-
Losses of loans to customers at rates below market	9	(19)	-
Other income		1 132	-
Other expenses		(1 391)	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	26	53 202	-
Profit before taxation		**151 447**	**-**
Income tax expense	20	(23 081)	-
Net profit		**128 366**	**-**
Attributable to:			
Shareholders of the parent company		126 018	-
Minority interest	15	2 348	-
Basic and diluted earnings per share (US Dollar per share)	14	**1.26**	**-**

Alexei A. Linkov
General Director

Alexei S. Seleznev
Chief Financial Officer

2 July 2007

(in thousands of US Dollars)

	Note	2006	2005
Cash flows from operating activities			
Revenue from investment property		15 817	-
Repair and maintenance costs		(5 848)	-
Other direct property operating expenses		(3 221)	-
Land rent costs		(1 315)	-
Other expenses related to premises and equipment		(458)	-
Interest income		1 709	-
Interest expenses		(10 998)	-
Gains less losses arising from financial assets held to maturity		2 569	-
Taxes paid (other than income tax)		(1 432)	-
Staff costs		(1 279)	-
Other income		1 161	-
Other expenses		(1 247)	-
Income tax paid		(670)	-
Cash flows from operating activities before changes in operating assets and liabilities		**(5 212)**	-
Net increase/decrease in operating assets and liabilities			
Net decrease of accounts receivable		37 536	-
Net increase of VAT recoverable		(14 786)	-
Net increase of other assets		(81)	-
Net decrease of accounts payable		23 669	-
Net cash flows from operating activities		**41 126**	-
Cash flows from investing activities			
Net increase of investment property		(18 380)	-
Net increase of land plots under development and constructions in progress		(41 587)	-
Net increase of fixed assets		(753)	-
Net increase of capital advances under construction contracts		(13 220)	-
Net increase of loans to customers		(41 556)	-
Increase in cash and cash equivalents arising on acquisition of subsidiaries	26	4 312	-
Net cash used in investing activities		**(111 184)**	-
Cash flows from financing activities			
Net increase of borrowings		72 327	-
Issue of share capital		4	-
Net cash flows from financing activities		**72 331**	-
Effect of exchange rate changes on cash and cash equivalents		67	-
Net change in cash and cash equivalents		2 340	-
Cash and cash equivalents as at the beginning of the period		-	-
Cash and cash equivalents as at the end of the period	11	**2 340**	-

Alexei A. Linkov
General Director

Alexei S. Seleznev
Chief Financial Officer

2 July 2007

(in thousands of US Dollars)

	Equity attributable to the shareholders of the parent company					
	Share capital	Revaluation reserve for land plots under development	Retained earnings	Accumulated exchange differences	Minority interest	Total equity
Balance as at 1 January 2006	-	-	-	-	-	-
Issue of share capital (Note 13)	4	-	-	-	-	4
Revaluation of land plots under development (Note 7)	-	15 178	-	-	-	15 178
Deferred taxation on revaluation of land plots under development (Note 20)	-	(3 643)	-	-	-	(3 643)
Effect of exchange rate changes	-	-	-	3 092	-	3 092
Minority interest arising from acquisition of subsidiaries	-	-	-	-	171	171
Net profit for the year ended 31 December 2006	-	-	126 018	-	2 348	128 366
Balance as at 31 December 2006	**4**	**11 535**	**126 018**	**3 092**	**2 519**	**143 168**

Alexei A. Linkov
General Director

Alexei S. Seleznev
Chief Financial Officer

2 July 2007

(in thousands of US Dollars)

1. Principal Activities of the Group

These consolidated financial statements comprise financial statements of OJSC RTM (the Company) and its subsidiaries (the Group).

The Company (former Vremya LLC) was incorporated under the laws of the Russian Federation on 6 April 2004 and registered by the Moscow registration chamber as a limited liability company. On 4 July 2006 Vremya LLC was renamed to RTM LLC and on 14 August 2006 was registered as an open joint stock company (OJSC).

The Company and its subsidiaries are focused on operations relating to real estate development and aimed at construction of shopping centres of different formats (from 10 to 120 thousand square meters), management and lease of these facilities to target lessees. The purpose of the Group is forming of a full developer cycle: from search and acquisition of land plots to management and maintenance of built immovable property.

The principal activities and locations of the subsidiaries of the Group as of 31 December 2006 are as follows:

Operating entity	Project	Principal activity	Ownership and/or control, %	Country of registration	Assets location	Date of incorpo-ration
CJSC RTM Development	-	Real estate development and project construction management	100%	Russia	Moscow	26.01.2006
CJSC Kaskad	Trading centre (TC) Crystal, TC Boomerang, TC Grand, TC Triumph, TC Lenina	Investing in and managing of the project assets, company also set up for construction of shopping centre in Kursk	100%	Russia	Kursk	18.08.2005
CJSC FPK Orbita	TC Park House 1	Investing in and managing of the project assets	100%	Russia	Samara	23.11.2001
MP Trading LLC	TC Zavoiskogo, TC K.Glushko, TC Mira, TC Sib. Trakt	Investing in and managing of the project assets	100%	Russia	Kazan	30.05.2002
Kaskad LLC	TC S.Galieva, TC Gvardeyskaya	Investing in and managing of the project assets	100%	Russia	Kazan	15.03.2004
CJSC Mercury	TC Park House 2	Investing in and managing of the project assets	100%	Russia	Samara	29.05.2003
TC Svobodniy LLC	TC Svobodniy	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	17.08.2000
Panteks LLC	TC Kolo-menskaya, TC R.Vokzal, Malygina	Investing in and managing of the project assets	51%	Russia	Moscow	02.12.1999
Elko Systems LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Kazan	11.06.2002

(in thousands of US Dollars)

Operating entity	Project	Principal activity	Ownership and/or control, %	Country of registration	Assets location	Date of incorporation
Mobil Systems LLC	TC Intercity	Investing in and managing of the project assets	100%	Russia	Tula	14.01.2004
Markon LLC	Plot of land Kushelevka	Investing in and development of the project assets	100%	Russia	St.Petersburg	20.06.2002
DT 1 Era 2 LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Voronezh	08.06.2000
RTM – Lipetsk LLC	Construction in progress (Tereshkovoy)	Company set up for construction of shopping centre in Lipetsk	90%	Russia	Lipetsk	25.11.2005
TorgPromAktiv LLC	CeramCekh	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	02.06.2004
Tekhosoft LLC	-	Company set up for construction of shopping centre in Togliatti	100%	Russia	Togliatti	13.10.2005
Elegans LLC	-	Company set up for construction of shopping centre in Stavropol	100%	Russia	Stavropol	13.09.2005
Rekom LLC	-	Investing in TC Kupchino construction	100%	Russia	Moscow	06.09.2005
Romeks – Invest LLC	Construction in progress (Kupchino)	Company set up for construction of shopping centre in St.Peterburg	100%	Russia	St.Petersburg	07.06.2002
RTM – Odintsovo LLC	Plot of land Lokhino	Investing in and development of the project assets	99%	Russia	Odintsovo	25.11.2005
FinTrade LLC	Ul'yanka	Co-investing in real estate projects	100%	Russia	St.Petersburg	22.02.2006
Expo Tekh LLC	Business Centre	Investing in and development of the project assets	100%	Russia	Moscow	18.01.2005
RTM – Samara LLC	Plot of land Samara-Fizkulturnaya	Investing in and development of the project assets	100%	Russia	Samara	11.11.2005

(in thousands of US Dollars)

Operating entity	Project	Principal activity	Ownership and/or control, %	Country of registration	Assets location	Date of incorpo-ration
RTM – Voronezh Severniy LLC	-	Company set up for construction of shopping centre in Voronezh	100%	Russia	Voronezh	26.04.2006
RTM – Bryansk CJSC	Plot of land Bryansk	Company set up for construction of shopping centre in Bryansk	100%	Russia	Moscow	28.06.2006
RTM - Supermarkety LLC	-	Financial activity	100%	Russia	Moscow	02.04.2003
INEX LLC	Construction in progress TC Demidovskiy	Investing in TC Demidovskiy construction	99%	Russia	Moscow	14.09.2005
Tula Rekonstrukziya LLC	-	Co-investing in real estate projects	99%	Russia	Tula	25.06.2004
Vinart LLC	TC Blindonalds, TC Obrucheva, TC Teplyi Stan, TC Krasnodarsky	Investing in and managing of the project assets	99%	Russia	Moscow	22.08.2005
Averstrade LLC	TC Mytishchi	Investing in and managing of the project assets	100%	Russia	Mytischi	15.04.2005
RTM - Izmaylovsky LLC	TC Izmaylovsky	Investing in and managing of the project assets	100%	Russia	Moscow	26.04.1996
Emsden Investments Limites	-	Financial activity	100%	Cyprus	Nicosia	03.07.2006
RTM Management LLC	-	Managing of the project assets	100%	Russia	Moscow	28.12.2006

As of 31 December 2006 and 31 December 2005, the Company's shareholders were as follows:

Shareholder	Country of registration	31 December 2006	31 December 2005
MARTA Unternehmensberatungs GmbH	Austria	50.00%	0.00%
SMH Limited	Cyprus	30.00%	0.00%
OJSC «InvestRiteilGroup»	Russia	19.95%	0.00%
Mrs. Nikulnikova O.Yu.	Russia	0.00%	100.00%
Other	-	0.05%	0.00%
Total		**100.00%**	**100.00%**

The ultimate owners of the Group are Mr. Vyrypaev (37.00%), Mr. Trefilov (47.25%) and Mr. Vasiljev (15.75%). They indirectly hold 100% shares of the Company.

In August 2005 the ultimate owners of the Group started restructuring of ownership and control over the companies of the Group. The main objective of the restructuring was to create a transparent legal structure consolidating all Russian entities of the Group engaged in real estate development under the control of a Russian holding company in order to simplify dealing with shareholders, investors, regulatory, reporting and other issues.

(in thousands of US Dollars)

Set out below are the chronological steps of the restructuring accomplished by date of issue of these consolidated financial statements for the year ended 31 December 2006.

On 1 August 2005 Mr. Trefilov and Mr. Vyrypaev entered into a joint venture agreement to jointly implement developer projects for construction and lease of shopping centres.

For these purposes they contributed the assets into the joint venture's capital, each of them holding a 50% interest in the joint venture. As at 31 December 2005, the structure of venture capital was as follows:

Venturer	As at 31 December 2005
Mr. Trefilov	50%
Mr. Vyrypaev	50%

The Group (OJSC RTM and its subsidiaries) was established in the course of restructuring of Marta Group and joint venture agreement in the year 2006.

During the year ended 31 December 2006 the Company acquired thirty two subsidiaries (Note 26).

On 23 June 2006 the decision was made to increase charter capital of the Company by USD 4 thousand and to change the name of the Company from Vremya LLC to RTM LLC. Those changes were registered on 4 July 2006.

On 5 July 2006 the Company's members approved the transformation of the Company into an open joint-stock company (OJSC). On 14 August 2006 the change of legal status was registered.

On 13 October 2006 the Group's subsidiary Company RTM - Perspektiva LLC was renamed to RTM – Bryansk CJSC.

On 21 December 2006 the Group's subsidiary Company Marta LLC was renamed to RTM - Izmaylovsky LLC.

The principal operating office of the Group is located at the following address: Russia, Moscow, Electrozavodskaya st. 21/41.

The average number of the Group's employees in the year from 1 January to 31 December 2006 was 238 (31 December 2005: 1).

2. Operating Environment of the Group

General

Over the past decade the Russian Federation has undergone substantial political, economic and social changes. Though since 2002 the Russian economy has been recognised as a market economy and a number of principal reforms aimed at establishment of banking, judicial, tax and legislative systems have been implemented, the business and legislative framework do not possess the same level of stability as in the countries with more developed economy.

Currently, the economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include:

- relatively high inflation rates during a number of years;
- low level of liquidity in capital markets.

Whilst there have been improvements in the economic trends, the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

Operations on the Russian securities market are affected by its underdeveloped infrastructure, particularly the stage of development of its registration and settlement systems and the current status of the developing regulatory and legal framework in Russia. The ongoing political stabilisation has been a positive contributing factor for the further development of the political and legal environment.

(in thousands of US Dollars)

Inflation

Russia continues to experience relatively high but decreasing levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2006	9.0%
31 December 2005	10.9%
31 December 2004	11.7%
31 December 2003	12.0%
31 December 2002	15.1%

Currency transactions and currency control

Foreign currencies, in particular the US dollar and EUR, play a significant role in measuring economic parameters of many business transactions in Russia.

The table below shows the exchange rates of RUR relative to USD and EUR:

Date	USD	EUR
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850
31 December 2004	27.7487	37.8104
31 December 2003	29.4545	36.8240
31 December 2002	31.7844	33.1098

In 2006 Russia lifted restrictions that were previously in force on the conversion of Roubles into hard currencies and mandatory requirements for conversion of hard currency revenue to Roubles as well as restrictions on capital transactions abroad. At the same time, the Central Bank of Russia takes strict measures aimed at counteracting the legalisation of criminally derived incomes and the financing of black economy and terrorism.

Financial market transactions

Economic conditions in the Russian Federation continue to limit the volume of activity in the financial markets. Market quotations may not reflect the values of financial instruments, which would be determined in an active market on transactions at an arm's-length basis between knowledgeable and willing counterparties. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

Russia's investment attractiveness and reduced macroeconomic risks and inflationary expectations were confirmed by the investment ratings awarded to the Russian Federation by the follow world rating agencies: Moody's (25 May 2006: award of "A2" rating with stable outlook), Fitch Ratings (17 August 2006: award of «BBB+» rating with stable outlook), Standard & Poor's (4 September 2006: award of "BBB+" rating with stable outlook).

3. Basis of Presentation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) including all previously adopted standards and interpretations of the International Accounting Standards Board. The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation and of the countries where its subsidiary companies are domiciled. These consolidated financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. Accounting policies of the subsidiaries were adjusted where necessary in order to comply with accounting policies of the Group.

The Group's functional currency is the currency of the primary economic environment in which the Group companies operate. The functional currency of the Group companies is the national currency of the Russian Federation, i.e. the Russian Rouble. The Group chose US Dollar (USD) as the presentation currency of these consolidated financial statements.

The Group also prepared its consolidated financial statements in Russian Roubles. Auditors' opinion on these consolidated financial statements in Russian Roubles was issued on 2 July 2007. These consolidated financial statements are available at the principal operating office of the Group (Note 1).

The consolidated financial statements of the Group are prepared on the historical cost basis, except for the:

- Fair value of subsidiaries acquired in accordance with IFRS 3 "Business Combinations";
- Valuation of land plots under development in accordance with IAS 16 "Property, Plant and Equipment" (IAS 16);
- Valuation of investment property in accordance with IAS 40 "Investment property" (IAS 40);
- Valuation of financial instruments in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39).

The preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Issues that require best estimate and are most significant for the consolidated financial statements are disclosed in Note 4.

International Financial Reporting Standards applied

In 2006 the Group applied current International Financial Reporting Standards (IFRS), including all previously adopted standards and interpretations issued by SIC and IFRIC.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

IFRSs and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2007);
- Amendment to IAS 1 "Presentation of Financial Statements" – "Capital Disclosures" (effective from 1 January 2007);
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006, i.e. from 1 January 2007);
- IFRIC 8 "Scope of IFRS 2» (effective for annual periods beginning on or after 1 May 2006, i.e. from 1 January 2007);
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006, i.e. from 1 January 2007);
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006, i.e. from 1 January 2007);
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007, i.e. from 1 January 2007);
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on 1 January 2009).

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application.

Subsidiaries

Subsidiary undertakings (including special purpose entities, SPE) are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies.

The existence and effect of potential voting rights (stock options) that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

First time adoption of IFRS

These consolidated financial statements of the Group for the year ended 31 December 2006 are prepared in accordance with IFRS for the first time.

(in thousands of US Dollars)

Comparison of Group's equity and net profit in accordance with requirements of Russian legislation and IFRS is set out below.

	Share capital as at 31 December 2006	Revaluation reserve for land plots under development	Retained earnings	Accumulated exchange differentces	Minority interest	Total equity as at 31 December 2006
Summarized Financial statements under Russian Accounting Standards	**4**	**-**	**16 465**	**-**	**-**	**16 469**
Revaluation reserve for land plots under development	-	15 178	-	-	-	15 178
Deferred taxation on revaluation of land plots under development	-	(3 643)	-	-	-	(3 643)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	-	-	53 202	-	-	53 202
Net gain from fair value adjustments on investment property	-	-	100 064	-	-	100 064
Provisions for impairment of financial assets held to maturity, originated loans and accounts receivable	-	-	(1 437)	-	-	(1 437)
Deferred taxation	-	-	(22 408)	-	-	(22 408)
Minority interests	-	-	-	-	2 519	2 519
Effect of exchange rate changes	-	-	-	3 092	-	3 092
Other	-	-	(19 868)	-	-	(19 868)
Consolidated financial statements under IFRS	**4**	**11 535**	**126 018**	**3 092**	**2 519**	**143 168**

4. Summary of Accounting Policies

Consolidation

The consolidated financial statements of the Group include the Company and entities that it controls (subsidiaries).

The purchase method of accounting is used by the Group to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognized directly in the consolidated statement of income.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the balance sheet date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within equity.

The results of subsidiaries acquired or disposed during the year ended 31 December 2006 are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated in full. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for acquisition of companies under common control

The Group's controlling interest in its directly held, wholly controlled and owned subsidiaries listed in Note 1 was acquired through transactions under common control, as defined in IFRS 3 "Business Combinations". Management notes that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users; and

(b) reliable, in that the financial statements:

- represent faithfully the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
- are neutral, i.e. free from bias;
- are prudent; and
- are complete in all material respects.

In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements and guidance in Standards and Interpretations dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

Having considered the requirements of IAS 8 management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition.

Goodwill

Goodwill represents future economic benefits from assets that are not capable of being separately identified and recognised. Goodwill arsing in a business combination is recorded in the consolidated balance sheet as an asset at the date of purchase.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings and land held under operating lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. In this case the operating lease is accounted for as a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the investment portfolio regularly. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and associated costs. Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in the consolidated statement of income in the line "Net gain from fair value adjustments on investment property".

Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as fixed assets, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as fixed assets and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

When an item of fixed assets is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized directly in equity as revaluation reserve if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognized in the consolidated statement of income immediately.

Land plots under development and construction in progress

Land plots under development represent land, which is in the process of development by the Group. At acquisition land plot is accounted for as investment property under development within property, plant and equipment. Management elected to follow the alternative treatment and subsequent to initial recognition at cost such land is carried at a revalued amount determined by an independent appraiser, being its fair value at the date of the revaluation. Management plans to perform revaluation of land under construction with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the shareholders' equity as revaluation reserve for land plots under development. The increase is recognized in the consolidated statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the consolidated statement of income. The decrease shall be debited directly to the shareholders' equity under revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

If after the development process management's intentions related to a certain land parcel are changed such parcel is transferred to the land held for resale category and its carrying amount at the date of transfer is considered as its cost starting that date.

Construction in progress is carried at cost adjusted to reflect the Russian Rouble purchasing power as at 31 December 2002 (for costs made prior to 1 January 2003) less impairment provision, where required. Construction in progress is not depreciated until the asset is available for use.

When the construction is completed land plot and building are reclassified to investment property and accounted for according to the provisions of IAS 40 "Investment property". The final resulting difference between the fair value of completed property and its previous carrying amount is recognized in the consolidated statement of income.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs and are capitalized.

Capital advances under constructions in progress

Capital advances represent amounts paid to constructor for capital construction. They are carried at cost.

Borrowing costs

Management elected to follow alternative treatment as allowed by IAS 23 "Borrowing Costs". Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. The capitalization rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Fixed assets

Premises and equipment for the Group's use are stated at acquisition cost adjusted to reflect the Russian Rouble purchasing power as at 31 December 2002 (for fixed assets acquired before 1 January 2003), less accumulated depreciation and impairment provision, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognised in the consolidated statement of income. The estimated recoverable amount is determined as higher of an asset's net realisable value and its value in use.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are included in the calculation of the Group's profit or loss for the period. Repairs and maintenance are charged to the consolidated statement of income when the expense is incurred.

Depreciation

Depreciation is charged on a straight-line basis over the following useful lives of the assets:

- Land – not depreciated;
- Buildings – from 40 to 50 years;
- Computers and office equipment – from 3 to 5 years;
- Fixtures and fittings – from 5 to 7 years;
- Vehicles – from 5 to 10 years;
- Software – from 3 to 10 years;
- Leasehold improvements – over the lease term.

Software development

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and recorded within other assets in the consolidated balance sheet. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Expenses that enhance or extend the performance of the software beyond its original specifications are recognised as capital expenditures and added to the original cost of the software. Costs of software development recognised as assets are amortised using the straight-line method over their useful lives from 3 to 10 years.

Leased assets

Where investment properties are held under operating leases, the leasehold interest is classified as if it were held under a finance lease, which is recognised at its fair value on the consolidated balance sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a finance lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining finance lease liability. Contingent rents payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are as expenses within property expenditure in the years in which they are.

Financial assets

The Group classifies its financial assets in the following categories:

– financial assets held to maturity;

– loans to customers.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets held to maturity

This category of financial assets includes investment securities with fixed maturity, which the Group intends and has the ability to hold till their maturities. The Group's management determines the appropriate classification of financial assets at the time of purchase. Financial assets held to maturity are recorded within other assets of the consolidated financial statements.

The Group evaluates its intention and ability to hold the financial assets classified as held to maturity till their maturities at each balance sheet date and not only at the moment of initial recognition of such financial assets.

Initially, financial assets held to maturity are recorded at cost (which includes transaction costs) and are subsequently carried at amortised cost using the effective yield method, less an impairment provision calculated as a difference between the carrying amount and the present value of expected cash flows, discounted using the original effective interest rate. If the Group sells significant portion of its portfolio of financial assets held to maturity before their maturity the remaining financial assets from this category shall be reclassified as financial assets available for sale.

Interest income on financial assets held to maturity is recognised in the consolidated statement of income within interest income.

All regular way purchases and sales of financial assets held to maturity are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as forward transactions until settlement.

Loans to customers

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

– those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

– those that the entity upon initial recognition designates as available for sale;

– those for which the holder can not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans to customers are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market interest rates on similar loans in effect at origination date.

Loans to customers are recorded when cash is transfered to borrowers.

Loans originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is charged to the consolidated statement of income in the line «Losses of loans to customers at rates below market». Subsequently, the carrying amount of such loans is adjusted for amortisation of losses on origination and the related expense is recorded within the consolidated statement of income using the effective interest method in the line «Interest income». The Group does not recognise gains on origination of assets at rates above market governed by the prudence concept.

A provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate on this loan.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These losses have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflect the current economic environment in which the borrowers operate.

The Group does not acquire loans from third parties.

Impairment of assets

The carrying amounts of the Group's assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of income.

Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of the Group's investments in held-to-maturity financial assets and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity financial assets or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on current bank accounts. Amounts, which relate to funds that have restrictions on use, are excluded from cash and cash equivalents.

Borrowings

Borrowings are recognised initially at cost, being their issue proceeds (the fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the consolidated statement of income of the joint venture over the period of the borrowings using the effective interest method.

Borrowings, which interest rates differ from market rates, are measured at their fair value at the date of origination. The fair value represents future interest payments and principal amount, discounted at market rates for similar loans.

The difference between the fair value and the nominal value at origination is charged to the consolidated statement of income as losses on origination of liabilities at rates above market. Subsequently, the carrying amount of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expenses are recorded as interest expense within the consolidated statement of income using the effective yield method. The Group does not recognise gains on origination of liabilities at rates below market governed by the prudence concept.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by an employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. The Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Income tax

Taxation expenses are recorded in the consolidated financial statements in accordance with the applicable legislation. The income tax charge in the consolidated statement of income for the reporting period comprises of current tax and changes in deferred tax. Current tax is calculated on the basis of the estimated taxable profit for the reporting period, using the tax rates enacted at the consolidated balance sheet date. Taxes, other than income tax, are recorded within operating expenses.

Deferred income tax is calculated, using the balance sheet asset and liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted in this period or are substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income and expense recognition

Revenue includes rental income and service charges from properties.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised on a gross basis in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense.

Interest income and expense are recognised in the consolidated statement of income for all debt instruments on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early repayment) but not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Accrued interest income and expense, including accrued coupon and discount, are recorded within the carrying values of the related assets and liabilities.

Payments made under operating leases are recognized in the consolidated financial statements on a straight-line basis over the term of the lease. Lease incentives received are recognized in the consolidated statement of income as an integral part of the total lease expense.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognized.

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Foreign currency transactions

Transactions in foreign currencies are translated to Russian roubles at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the consolidated statement of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates ruling at the dates the fair value was determined.

At the reporting date assets and liabilities of subsidiaries, which presentation currency differs from the Group's functional currency, shall be translated at the closing rate at the date of that balance sheet, income and expenses for each statement of income shall be translated at the average rate for the reporting period. All resulting exchange differences shall be recognised as a separate component of equity.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

Staff costs and related contributions

Salaries and bonuses to employees are recognised in the consolidated financial statements on an accrual basis. The Group contributes to the Russian Federation State Pension, Social Insurance and Obligatory Medical Insurance Funds in respect of its employees. These contributions are expensed as incurred and included in staff costs.

Segment reporting

A segment is a distinguishable component engaged in providing either products or services (business segment), or in providing products and services within particular economic environment (geographical segment). In the consolidated financial statements segments with a majority of revenue earned from sales to external customers and whose revenue, net profit or assets are ten percent or more of all the segments are reported separately.

The Group’s activity is focused on one business segment – development and management of investment property. Therefore, no segment reporting by business segment is required. All of the Group’s development business is concentrated in the Russian Federation, where the Company and its subsidiaries are located. Therefore, no segment reporting by geographical segments is required.

5. Significant Accounting Judgements and Estimates

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of subsidiaries where ownership is 50% or less

The Group acquired control over the number of subsidiaries during the reporting period (Note 26). In certain cases the power to realise the control over the companies is based on the agreements signed by the Group and the participants of the company being acquired. In most cases the date when the control over subsidiary begins precedes the date the date when the equity participation acquired.

(in thousands of US Dollars)

Subsidiary	Date of acquisition of control	Date of the equity participation acquisition
CJSC RTM Development	10.03.2006	22.09.2006
RTM – Bryansk CJSC	29.06.2006	22.09.2006
RTM – Voronezh Severniy LLC	01.05.2006	27.06.2006
RTM – Odintsovo LLC	30.05.2006	28.02.2007
RTM – Samara LLC	11.01.2006	27.06.2006
RTM – Lipetsk LLC	11.01.2006	31.08.2006
Mobil Systems LLC	11.01.2006	22.09.2006
Markon LLC	11.01.2006	22.09.2006
TC Svobodniy LLC	30.04.2006	22.09.2006
CJSC Mercury	11.01.2006	31.05.2007
TorgPromAktiv LLC	20.01.2006	22.09.2006
CJSC FPK Orbita	30.04.2006	22.09.2006
Romeks – Invest LLC	26.05.2006	22.09.2006
Rekom LLC	26.05.2006	30.06.2006
DT 1 Era 2 LLC	11.01.2006	30.06.2006
Elko Systems LLC	31.01.2006	22.09.2006
Kaskad LLC	11.01.2006	30.06.2006
Expo Tekh LLC	20.01.2006	30.06.2006
Elegans LLC	11.01.2006	30.06.2006
FinTrade LLC	20.05.2006	30.03.2007
Tekhosoft LLC	11.01.2006	30.06.2006
Panteks LLC	11.01.2006	22.09.2006
MP Trading LLC	31.05.2006	02.04.2007
CJSC Kaskad	11.01.2006	22.09.2006
RTM Supermarkety LLC	20.01.2006	29.06.2006
INEX LLC	22.09.2006	08.05.2007
Tula Rekonstrukziya LLC	22.09.2006	25.04.2007
Vinart LLC	22.09.2006	08.05.2007
Averstrade LLC	03.07.2006	05.02.2007
RTM – Izmaylovsky LLC	22.09.2006	22.09.2006
Emsden Investments Limited	22.09.2006	22.09.2006
RTM Management LLC	21.12.2006	21.12.2006

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment property and land plots under development

Investment property and land plots under development are stated at the fair value. The fair value is estimated by external, independent valuation company, having the appropriate recognised professional qualification. The valuation is subject to assumptions and limiting conditions. Changes in the assumptions might entail the change of the fair value of investment property and land plots under development.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans to customers and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

(in thousands of US Dollars)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was USD 4 179 thousand (2005: 0). More details are provided in Note 26.

6. Investment Property

Below is the information on changes in carrying values of investment property:

	Note	2006
Balance as at 1 January		**-**
Carrying value of investment property of acquired subsidiaries		104 493
Net gain from fair value adjustments on investment property		100 064
Transfer from land plots under development and construction in progress	7	54 045
Additions		18 942
Effect of exchange rate changes		797
Balance as at 31 December		**278 341**

The fair value of the Group's investment property has been arrived at on the basis of valuation carried out by the independent appraiser Colliers International LLC. The valuation was arrived at primarily by applying the income approach.

At the dates of the subsidiaries' acquisition the fair value of investment properties was not available for all investment properties acquired (Note 26).

As at 31 December 2006 the trading centers with a fair value of USD 226 446 thousand were pledged as collateral under the loans received from JSC Impexbank (USD 89 667 thousand), CJSC International Moscow Bank (USD 30 000 thousand), JSB Orgresbank (USD 9 000 thousand), JSB AB Soyuz (USD 8 820 thousand), Uniastrum Bank LLC (USD 4 558 thousand) in the total amount of USD 142 045 thousand (Note 16).

7. Land Plots under Development and Construction in Progress

Below is the information on changes in land plots under development and construction in progress during 2006:

	Land plots under development	Construction in progress	Total
Balance as at 1 January 2006	**-**	**-**	**-**
Carrying value of land plots under development and construction in progress of acquired subsidiaries	25 796	59 532	85 328
Additions	342	42 515	42 857
Interest expense capitalised	-	9 650	9 650
Revaluation	15 178	-	15 178
Transfer to investment property	(2 634)	(51 411)	(54 045)
Disposals	-	(7)	(7)
Balance as at 31 December 2006	**38 682**	**60 279**	**98 961**

Land plots under development are stated at revalued amount determined by independent appraiser Colliers International LLC, primarily by applying the income approach.

Construction in progress mainly includes construction of trading centre Demidovskiy, located in Tula and business centre located in Moscow.

Construction in progress is recognised at cost.

Carrying value of land plots under development of the acquired subsidiaries includes USD 9 650 thousand of capitalized borrowing costs.

As at 31 December 2006 land plots under development and constructions in progress with a fair value of USD 32 425 thousand were pledged as collateral under the loans received from JSC AB Rossia in the total amount of USD 7 054 thousand (2005: USD 0 thousand) (Note 16).

(in thousands of US Dollars)

8. Capital Advances under Construction Contracts

Description of the project	Asset location	31 December 2006	31 December 2005
Trading centre Gallery Odintsovo	Odintsovo	5 835	-
Trading centre Ul'yanka	St. Petersburg	5 087	-
Public centre Lenin str.	Kursk	3 574	-
GROSSMART in Water-entertaining centre 45 Parallel str.	Stavropol	2 396	-
Trading centre Park House 2	Samara	540	-
Trade-entertaining centre Park House 1	Samara	310	-
Trading center M. Balakinskaya str.	St. Petersburg	290	-
Trading center Kushelevka	St. Petersburg	230	-
Trade-entertaining centre Fizkulturnaya str.	Samara	208	-
Trade-entertaining centre Metallurgov str.	Tula	147	-
Total capital advances under construction contracts		**18 617**	**-**

The Group is an investor in several construction projects. The ownership of the construction projects will be transferred to the Group when the construction completed and the state registration of the real estate obtained.

As of 31 December 2006 capital advances under construction contracts with a fair value of USD 10 838 thousand were pledged as collateral under the loans received from Uniastrum Bank LLC in the total amount of USD 5 165 thousand (2005: USD 0 thousand) (Note 16).

Geographical, currency and maturity analysis of capital advances under construction contracts is presented in Note 23.

9. Loans to Customers

	31 December 2006	31 December 2005
Non-current loans to customers		
Loans to legal entities	30 167	-
Total non-current loans to customers	**30 167**	**-**
Current loans to customers		
Loans to legal entities	26 693	-
Less: provision for impairment of loans to customers	(179)	-
Total current loans to customers	**26 514**	**-**

Interest rates on loans to customers varied from 0.1% to 24.7% per annum.

As at 31 December 2006 the Group's loans to legal entities amounted to USD 2 077 thousand at interest rates below market (5% p.a.), were are remeasured at origination to their fair values, being future interest payments and principal repayments discounted at market interest rates for similar loans. Losses on loans originated at rates below market is recognized in the consolidated statement of income for the year ended 31 December 2006 in the amount of USD 19 thousand.

Movements in the provision for impairment of loans to customers are as follows:

	Note	2006	2005
Provision for impairment of loans to customers as at 1 January		**-**	**-**
Change in provision for impairment of loans to customers during the reporting period	21	179	-
Provision for impairment of loans to customers as at 31 December		**179**	**-**

The provision for impairment of loans to customers represents the provision created in respect to overdue loan principal and interest.

Geographical, currency and maturity analysis of loans to customers is presented in Note 23. The information about transactions with related parties is presented in Note 22.

(in thousands of US Dollars)

10. Accounts Receivable

	31 December 2006	31 December 2005
Trade receivables	8 971	-
Prepayments	1 728	-
Rental receivables	1 480	-
Receivables for bills of exchange	1 235	-
Other	1 596	-
Less: provision for impairment of accounts receivable	(363)	-
Total accounts receivable	**14 647**	**-**

Movements in the provision for impairment of accounts receivable are as follows:

	Note	2006	2005
Provision for impairment of accounts receivable as at 1 January		**-**	**-**
Change in provision for impairment of accounts receivable during the reporting period	21	363	-
Provision for impairment of accounts receivable as at 31 December		**363**	**-**

Geographical, currency and maturity analysis of accounts receivable is presented in Note 23. The information about transactions with related parties is presented in Note 22.

11. Cash and Cash Equivalents

	31 December 2006	31 December 2005
Bank account balances	2 332	-
Cash on hand	8	-
Total cash and cash equivalents	**2 340**	**-**

12. Other Assets

	31 December 2006	31 December 2005
Financial assets held to maturity	1 048	-
Inventories	88	-
Less: provision for impairment of other assets	(932)	-
Total other assets	**204**	**-**

As at 31 December 2006 financial assets held to maturity mainly include a bill of exchange issued by Diakom LLC (USD 575 thousand), a bill of exchange issued by Vintens LLC (USD 357 thousand)) and other bill of exchange issued. The 100% provision for impairment of financial assets held to maturity was created in respect to bills of exchange issued by Diakom LLC and Vintens LLC.

Movements in the provision for impairment of other assets are as follows:

	Note	2006	2005
Provision for impairment of other assets as at 1 January		**-**	**-**
Change in provision for impairment of other assets during the reporting period	21	932	-
Provision for impairment of other assets as at 31 December		**932**	**-**

Geographical, currency and maturity analysis of other assets is presented in Note 23.

(in thousands of US Dollars)

13. Share Capital

As at 31 December 2006, authorised, issued and fully paid share capital of the Group's shareholders amounted to USD 4 thousand (31 December 2005: USD 0 thousand).

	As at 31 December 2006		
	Number of shares	**Nominal value (in USD)**	**Total share capital (in USD)**
Ordinary shares	100 000 000	0.00004	3 798
Total share capital	**100 000 000**	**0.00004**	**3 798**

During 2006 the following changes in share capital of the Company were made:

- Mrs. Nikulnikova sold her stakes in the Company share capital (99.9%) to Marta Dom XXI Century;
- Marta Dom XXI Century and Mrs. Nikulnikova sold their stakes in the Company share capital (99.9% and 0.1%, respectively) to Marta Unternehmensberatungs GmbH;
- Marta Unternehmensberatungs GmbH sold 30% stake in the Company share capital to SMH Limited, 19.95% stake – to OAO Invest Retail Group and 0.05% stake – to OOO Infro-Tex through ZAO Marta XXI Century.

14. Earnings per Share

Basic earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares during the year less average number of ordinary shares bought out by the Group from its shareholders.

The Group has no outstanding financial instruments which dilute basic earnings per share. Thus, the diluted earnings per share are equal to basic earnings per share.

	2006	**2005**
Net profit attributable to shareholders of the parent company (thousands of US Dollars)	126 018	-
Weighted average number of ordinary shares in issue (thousands)	100 000	-
Basic earnings per share (US Dollars per share)	**1.26**	**-**

15. Minority Interest

	2006	**2005**
Minority interest as at 1 January	**-**	**-**
Share in net profit	2 348	-
Acquisition of subsidiaries	171	-
Minority interest as at 31 December	**2 519**	**-**

16. Borrowings

	31 December 2006	**31 December 2005**
Borrowings from banks		
Long-term borrowings from banks	138 454	-
Short-term borrowings from banks	37 456	-
Total borrowings from banks	**175 910**	**-**
Borrowings from commercial organisations and individuals		
Long-term borrowings from commercial organisations and individuals	18 462	-
Short-term borrowings from commercial organisations and individuals	53 836	-
Total borrowings from commercial organisations and individuals	**72 298**	**-**
Total borrowings including	248 208	-
Long-term borrowings	**156 916**	**-**
Short-term borrowings	**91 292**	**-**

(in thousands of US Dollars)

Interest rates on rouble borrowings from banks ranged from 11% to 18% per annum. Interest rates on borrowings from banks in USD were between 11% and 17% per annum.

Interest rates on rouble borrowings from commercial organisations and individuals ranged from 0% to 14% per annum and on USD-denominated borrowings from commercial organisations and individuals were between 0% and 13% per annum.

As at 31 December 2006 the investment properties with a fair value of USD 226 446 thousand were pledged as collateral under the loans received from JSC Impexbank (USD 89 667 thousand), CJSC International Moscow Bank (USD 30 000 thousand), JSB Orgresbank (USD 9 000 thousand), JSB AB Soyuz (USD 8 820 thousand), Uniastrum Bank LLC (USD 4 558 thousand) in the total amount of USD 142 045 thousand (2005: USD 0 thousand) (Note 6).

As at 31 December 2006 the land plots under development and construction in progress with a fair value of USD 32 425 thousand were pledged as collateral under the loans received from JSC AB Rossia in the total amount of USD 7 054 thousand (2005: USD 0 thousand) (Note 7).

As at 31 December 2006 capital advances under construction contracts with a fair value of USD 10 838 thousand were pledged as collateral under the loans received from Uniastrum Bank LLC in the total amount of USD 5 165 thousand (2005: USD 0 thousand) (Note 8).

As at 31 December 2006 the 100% stakes in TC Svobodniy LLC, Vinart LLC, RTM – Lipetsk LLC were pledged as collateral under the loans received from JSC Impexbank (Note 25).

Geographical, currency and maturity analysis of borrowings is presented in Note 23. The information about transactions with related parties is presented in Note 22.

17. Accounts Payable

	31 December 2006	31 December 2005
Non-current accounts payable		
Payables for land plots and premises	6 954	-
Accounts payable	2 597	-
Total non-current accounts payable	**9 551**	**-**
Current accounts payable		
Payables for financial assets	38 486	-
Payables for land plots and premises	3 949	-
Payables to co-investors	3 664	-
Advances received	1 801	-
Guarantee payments received from lessees	1 287	-
Taxes payable (other than Income Tax)	1 187	-
Rent payable	913	-
Trade payables including maintenance of shopping centers	431	-
Income tax	212	-
Wages and salaries payable	150	-
Other	3 593	-
Total current accounts payable	**55 673**	**-**
Total accounts payable	**65 224**	**-**

Geographical, currency and maturity analysis of accounts payable is presented in Note 23. The information about transactions with related parties is presented in Note 22.

(in thousands of US Dollars)

18. Revenue from Investment Property

	2006	2005
Revenue	14 960	-
Service and management charges	930	-
Total revenue from investment property	**15 890**	**-**

The Group leases out its investment property under operating leases. The terms of all operating leases are one year and more.

19. Interest Expense

Interest expense for the year ended 31 December 2006 and 2005 includes the following:

	2006	2005
Interest expenses on loans from banks	7 607	-
Interest expenses on loans from commercial organizations and individuals	3 461	-
Total interest expense	**11 068**	**-**

20. Income Tax

Income tax expense comprises the following:

	2006	2005
Current tax expense	674	-
Deferred taxation movement	26 050	-
Deferred taxation charged directly to equity	(3 643)	-
Income tax expense for the reporting period	**23 081**	**-**

The income tax rate applicable to the majority of the Group's income is 24% (2005: 24%).

Reconciliation between the expected and the actual taxation charge is provided below.

	2006	2005
IFRS profit before taxation	**151 447**	
Theoretical tax charge at the rate of 24%	36 347	-
Not taxable income from write-off of excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	(12 768)	-
Other differences	(498)	-
Income tax expense for the period	**23 081**	**-**

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for consolidated financial statement purposes and for the Group profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 24% (2005: 24%).

(in thousands of US Dollars)

	As at 31 December 2006	Movement	Acquisitions of subsidiaries	As at 31 December 2005
Tax effect of deductible temporary differences				
Accounts receivable	133	7	126	-
Loans to customers	342	277	65	-
Borrowings	11	11	-	-
Provisions for impairment of loans to customers, accounts receivable and other assets	344	344	-	-
Accounts payable	290	290	-	-
Fixed assets	12	12	-	-
Investment property	915	78	837	-
Construction in progress	1 007	699	308	-
Other assets	79	77	2	-
Gross deferred tax assets	**3 133**	**1 795**	**1 338**	**-**
Tax effect of taxable temporary differences				
Land plots under development	(7 026)	(3 643)	(3 383)	-
Constructions in progress	(225)	1 070	(1 295)	-
Net gain from fair value adjustments on investment property	(35 594)	(24 015)	(11 579)	-
Investment property	(1 065)	(275)	(790)	-
Accounts payable	(357)	(339)	(18)	-
Depreciation of fixed assets	(658)	(273)	(385)	-
Accounts receivable	(24)	(24)	-	-
Gross deferred tax liabilities	**(44 949)**	**(27 499)**	**(17 450)**	**-**
Net deferred tax assets of the Group's companies which could not be offset against net deferred tax liabilities of other companies of the Group	894	346	548	-
Net deferred tax liabilities	**(42 710)**	**(26 050)**	**(16 660)**	**-**

For the year 2006 deferred tax liability in the amount of USD 3 643 thousand arising from temporary differences on land plots under development is recorded within revaluation reserve for land plots under development.

Considering the existing structure of the Group, tax losses and current tax assets of different entities cannot be offset against current tax liabilities and taxable profit and, respectively, taxes may be accrued even despite the net consolidated tax loss. Therefore, the Group does not offset deferred tax assets of one entity against the deferred tax liability of another entity.

Different opinions regarding treatment and legal interpretation of certain Tax Code issues exist both among and within government ministries and organizations (for example, Ministry for Taxes and Charges and its inspectorates). This fact creates tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

21. Provisions for Impairment of Loans to Customers, Accounts Receivable and Other Assets

	2006	2005
Provision for impairment of loans to customers, accounts receivable and other assets as at 1 January	**-**	**-**
Change in provision for impairment of loans to customers (Note 9)	179	-
Change in provision for impairment of accounts receivable (Note 10)	363	-
Change in provision for impairment of other assets (Note 12)	932	-
Effect of exchange rate changes	(37)	-
Provision for impairment of loans to customers, accounts receivable and other assets as at 31 December	**1 437**	**-**

(in thousands of US Dollars)

22. Related Party Transactions

In the normal course of business the Group enters into transactions with its major participants, directors and other related parties. These transactions include settlements, issuance of loans and borrowings receipt.

The outstanding balances as at 31 December 2006 and income and expense items for the year then ended 31 December 2006 on transactions with related parties are as follows:

	2006	2005
Accounts payable	26 095	-
Borrowings	24 146	-
Loans to customers	13 396	-
Accounts receivable	8 254	-
Interest expense	2 267	-
Interest income	857	-
Revenue from investment property	694	-
Other income	59	-

The compensation paid to the key management personnel totalled USD 142 thousand for the year ended 31 December 2006 (2005: USD 0 thousand).

23. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency and liquidity), operational risks and legal risks. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment.

The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hedge its credit risk.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

All the Group's debt instruments outstanding as of 31 December 2006 are fixed rate. The Group plans to borrow mainly at fixed rates in the future. For any future borrowing at variable interest rate the Group will consider the possibility of hedging its interest risk.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 31 December 2006 the Group had balances denominated in Russian Roubles, USD and EUR. The Group does not hedge its currency risk.

(in thousands of US Dollars)

As at 31 December 2006, the Group has the following positions in currencies:

	RUR	USD	EUR	Total
Assets				
Non-current assets				
Investment property	278 341	-	-	278 341
Land plots under development and construction in progress	98 961	-	-	98 961
Capital advances under construction contracts	18 617	-	-	18 617
VAT recoverable	23 932	-	-	23 932
Loans to customers	30 167	-	-	30 167
Goodwill	4 179	-	-	4 179
Deferred income tax assets	894	-	-	894
Fixed assets	587	-	-	587
Current assets				
Loans to customers	25 015	1 499	-	26 514
Accounts receivable	12 626	1 987	34	14 647
Cash and cash equivalents	2 340	-	-	2 340
Other assets	204	-	-	204
Total assets	**495 863**	**3 486**	**34**	**499 383**
Liabilities				
Non-current liabilities				
Borrowings	23 034	133 882	-	156 916
Accounts payable	9 551	-	-	9 551
Finance leases of lands plots	73	-	-	73
Deferred income tax liabilities	42 710	-	-	42 710
Current liabilities				
Borrowings	30 547	60 745	-	91 292
Accounts payable	49 263	6 410	-	55 673
Total liabilities	**155 178**	**201 037**	**-**	**356 215**
Net balance sheet position	**340 685**	**(197 551)**	**34**	**143 168**

As at 31 December 2005 all Group's assets and liabilities were nominated in Russian Roubles.

Geographical risk

As at 31 December 2006 and 31 December 2005 all Group's assets and liabilities were located in the Russian Federation.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due. The Group has established budgeting and cash flow planning procedures to help ensure that it has adequate cash available to meet its payment obligations in due course.

Management controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period.

The Group recognizes the capital intensive nature and modest liquidity of real estate. Therefore the Group uses its best efforts to fund a significant portion of future cash needs through long-term borrowings and to maintain a high proportion of equity financing.

(in thousands of US Dollars)

The table below shows the assets and liabilities as at 31 December 2006 by their remaining contractual maturity:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No stated maturity	Total
Assets							
Non-current assets							
Investment property	-	-	-	-	-	278 341	278 341
Land plots under development and constructions in progress	-	-	-	-	-	98 961	98 961
Capital advances under construction contracts	-	-	-	18 617	-	-	18 617
VAT recoverable	-	-	-	-	-	23 932	23 932
Loans to customers	-	-	-	6 022	24 145	-	30 167
Goodwill	-	-	-	-	-	4 179	4 179
Deferred income tax assets	-	-	-	-	-	894	894
Fixed assets	-	-	-	-	-	587	587
Current assets							
Loans to customers	2 436	2 083	21 995	-	-	-	26 514
Accounts receivable	594	3 970	1 478	-	-	8 605	14 647
Cash and cash equivalents	2 340	-	-	-	-	-	2 340
Other assets	89	115	-	-	-	-	204
Total assets	**5 459**	**6 168**	**23 473**	**24 639**	**24 145**	**415 499**	**499 383**
Liabilities							
Non-current liabilities							
Borrowings	-	-	-	156 916	-	-	156 916
Accounts payable	-	-	-	-	-	9 551	9 551
Finance leases of lands plots	-	-	-	73	-	-	73
Deferred income tax liabilities	-	-	-	-	-	42 710	42 710
Current liabilities							
Borrowings	8 143	27 884	55 265	-	-	-	91 292
Accounts payable	7 051	9 203	933	-	-	38 486	55 673
Total liabilities	**15 194**	**37 087**	**56 198**	**156 989**	**-**	**90 747**	**356 215**
Net liquidity gap as at 31 December 2006	**(9 735)**	**(30 919)**	**(32 725)**	**(132 350)**	**24 145**	**324 752**	**143 168**
Cumulative liquidity gap as at 31 December 2006	**(9 735)**	**(40 654)**	**(73 379)**	**(205 729)**	**(181 584)**	**143 168**	
Cumulative liquidity gap as at 31 December 2005	**-**	**-**	**-**	**-**	**-**	**-**	

24. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair value of financial instruments has been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is applied to interpret market data to determine the estimated fair values.

In estimating the fair value of financial instruments the Group has used available market information that may not be fully reflective of the value that could be realised in the current circumstances.

As described in Note 2, economic conditions in the Russian Federation continue to limit the volume of activity in the financial markets. While management has used available market information in estimating the fair value of financial instruments, the market information is not necessarily indicative of the amounts the Company could realise in current circumstances.

The following methods and assumptions were used to estimate the fair value of the Company's other financial instruments.

Loans to customers

Loans to customers are reported net of impairment provisions for amortised cost. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates.

Financial assets held to maturity

The fair value of instruments without quoted market prices is determined by reference to market prices of securities with similar credit risk, maturity and profitability, in other cases – by reference to collateral provided by the issuer in the form of fixed assets.

Borrowings

The estimated fair value of borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

As at 31 December 2006 fair value of financial instrument approximates their balance sheet value.

25. Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. Based on its own estimates and internal and external professional advice, the Group's management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

The Group acquired control over the number of subsidiaries during the reporting period (Note 26). In certain cases the date when the control over the subsidiary begins precedes the date when the equity participation acquired. According to the Russian legislation, the participants of the limited liabilities company are entitled to make the decisions on management of the company without any restrictions and any additional agreements which impose limitation of their rights might be declared invalid. The Group's management believes that no such agreements with the participants of the limited liabilities company for the transfer of control to the Group exist that can be declared invalid or annul a treaty.

Tax legislation

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20%. There is no formal guidance as to how these rules should be applied in practice.

The tax consequence of transactions for Russian taxation purposes is frequently determined by the legal form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Standards. The consolidated statement of income, as presented in these consolidated financial statements, includes reclassifications to reflect the underlying economic substance of those transactions. These reclassifications do not have an effect on the Group's profit before taxation or the tax charge recorded in these consolidated financial statements. The Group's management is confident that this ongoing restructuring of taxable income and deductible expenses is unlikely to result in additional tax liabilities. Accordingly, no provision for a potential tax liability, with regard to these transactions, has been set up in the consolidated financial statements.

As at 31 December 2006 the Group has VAT recoverable in the amount of USD 23 932 thousand the most part of which arose on as the result of acquisition and construction of investment properties. The Group management is of the opinion that VAT will be recovered and accordingly no provision for impairment of VAT recoverable has been made in these consolidated financial statements.

The regional organisational structure of the Russian Federation tax authorities and the regional judicial system can mean that taxation issuers successfully defended in one region may be unsuccessful in another region. The tax authorities in each region may have a different interpretation of similar taxation issues. There is however some degree of direction provided from the central authority based in Moscow on particular taxation issues.

If a particular treatment is to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest, which can be significant. At the same time, in accordance with the Russian Tax Code Part I the uncertainties and vagueness of the tax statements are to be treated in a favour of taxpayer. Tax years remain open to review by the tax authorities for three years.

(in thousands of US Dollars)

Pledged assets

The Group has the following assets that have been pledged as collateral for borrowings received (Note 16):

		31 December 2006		31 December 2005	
	Note	**Fair value of assets pledged**	**Related obligation**	**Fair value of assets pledged**	**Related obligation**
Investment property	6, 16	226 446	142 045	-	-
Land plots under development and construction in progress	7, 16	32 425	7 054	-	-
Capital advances under construction contracts	8, 16	10 838	5 165	-	-
Total pledged assets		**269 709**	**154 264**	**-**	**-**

As at 31 December 2006 stakes in TC Svobodniy LLC, Vinart LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. TC Svobodniy LLC, Vinart LLC own the investment property with a fair value of USD 56 764 thousand which was also pledged by the Group.

As at 31 December 2006 stakes in RTM – Lipetsk LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. RTM – Lipetsk LLC owns the land plots under development and constructions in progress with a fair value of USD 3 762 thousand, which were also pledged by the Group.

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating lease of premises are as follows:

	31 December 2006	**31 December 2005**
Less than 1 year	598	-
From 1 to 5 years	86	-
Total operating lease commitments	**684**	**-**

Leasehold properties

The land underlying most of the Group's properties is leased from the authorities. A number of the Group's land leases have relatively short terms. Under Russian law, a lessee has a pre-emptive right to extend its lease upon expiry provided it has fulfilled all obligations under the lease. However, Russian courts have held that the pre-emptive right will not apply if the lessor decides not to continue leasing the land. Accordingly, if the lessors decide in the future to stop leasing the properties underlying the Group's developments, then the Group may lose its right to use these properties upon the expiration of current leases.

Capital commitments

The Group's future capital commitments on construction in progress are as follows:

	31 December 2006	**31 December 2005**
Less than 1 year	3 122	-
From 1 to 5 years	34 000	-
Total capital commitments	**37 122**	**-**

26. Acquisitions of Subsidiaries

The Group doesn't have any contingent liabilities related to acquisition of subsidiaries in addition to information disclosed in these consolidated financial statements.

Acquisition of interest in the subsidiaries' charter capital gave rise to goodwill, determined as an excess of consideration paid by the Company over the fair value of acquired share in net assets of the subsidiary.

(in thousands of US Dollars)

	2006	2005
Goodwill as at 1 January	**-**	**-**
Goodwill arising on acquisition of subsidiaries:		
Romeks – Invest LLC	1 765	-
Tula Rekonstrukciya LLC	1 404	-
RTM – Izmaylovky LLC	581	-
Rekom LLC	190	-
Elko Systems LLC	101	-
TorgPromAktiv LLC	24	-
CJSC RTM Development	22	-
Averstreid LLC	1	-
Effect of exchange rate changes	91	-
Goodwill as at 31 December	**4 179**	**-**

Romeks – Invest LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 26 May 2006
Construction in progress	2 665
VAT recoverable	182
Accounts receivable	175
Cash and cash equivalents	31
Deferred income tax assets	7
Accounts payable	(3 032)
Borrowings	(69)
Total net assets	**(41)**
Consideration paid	1 724
Goodwill	**1 765**

Tula Rekonstrukciya LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 22 September 2006
Construction in progress	13 276
Accounts receivable	5 785
Deferred income tax assets	442
Accounts payable	(19 823)
Borrowings	(597)
Other liabilities	(501)
Total net assets	**(1 418)**
Net assets acquired by the Group (99%)	**(1 404)**
Consideration paid	-
Goodwill	**1 404**

(in thousands of US Dollars)

RTM – Izmaylovky LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 22 September 2006
Investment property	12 114
VAT recoverable	1 401
Accounts receivable	752
Cash and cash equivalents	211
Fixed assets	79
Other assets	13
Loans to customers	7
Borrowings	(14 866)
Accounts payable	(273)
Deferred income tax liabilities	(18)
Total net assets	**(580)**
Consideration paid	1
Goodwill	**581**

Rekom LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 26 May 2006
Accounts receivable	7 849
Loans to customers	1 806
Deferred income tax assets	60
Borrowings	(9 905)
Total net assets	**(190)**
Consideration paid	-
Goodwill	**190**

Elko Systems LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 31 January 2006
Investment property	1 126
Accounts receivable	177
Deferred income tax assets	30
Loans to customers	4
Cash and cash equivalents	1
Borrowings	(1 439)
Total net assets	**(101)**
Consideration paid	-
Goodwill	**101**

(in thousands of US Dollars)

TorgPromAktiv LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 20 January 2006
Loans to customers	168
VAT recoverable	30
Accounts receivable	1
Cash and cash equivalents	2
Deferred income tax assets	2
Accounts payable	(215)
Borrowings	(12)
Total net assets	**(24)**
Consideration paid	-
Goodwill	**24**

CJSC RTM Development

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 01 February 2006
Deferred income tax assets	5
Accounts payable	(27)
Total net assets	**(22)**
Consideration paid	-
Goodwill	**22**

Averstrade LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 29 June 2006
Borrowings	(1)
Total net assets	**(1)**
Consideration paid	-
Goodwill	**1**

(in thousands of US Dollars)

In several cases acquisition of interest in the subsidiaries' charter capitals gave rise to excess of acquirer's interest in the net fair value of acquiree's net assets over cost, determined as the difference between the fair value of acquired share in net assets of the subsidiary and consideration paid by the Group.

	31 December 2006	**31 December 2005**
Mobil Systems LLC	22 530	-
CJSC Kaskad	8 339	-
RTM – Odintsovo LLC	7 821	-
CJSC Mercury	2 670	-
TC Svobodnyi LLC	2 627	-
RTM – Samara LLC	2 254	-
MP Trading LLC	2 223	-
Vinart LLC	1 293	-
CJSC FPK Orbita	827	-
Expo Tekh LLC	510	-
DT 1 Era 2 LLC	155	-
Markon LLC	108	-
INEX LLC	105	-
RTM – Lipetsk LLC	2	-
Panteks LLC	1	-
LLC RTM – Supermarkety	1	-
Elegans LLC	-	-
Effect of exchange rate changes	1 736	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**53 202**	**-**

Mobil Systems LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Investment property	39 411
Accounts receivable	376
Cash and cash equivalents	105
VAT recoverable	61
Other assets	12
Deferred income tax liabilities	(7 325)
Borrowings	(3 927)
Accounts payable	(2 051)
Total net assets	**26 662**
Consideration paid	4 132
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(22 530)**

(in thousands of US Dollars)

CJSC Kaskad

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Investment property	7 069
Accounts receivable	20
VAT recoverable	4
Other assets	14
Deferred income tax liabilities	(1 328)
Accounts payable	(132)
Borrowings	(31)
Net assets	**5 616**
Additional contribution to net assets made after the date of acquisition	4 373
Total net assets	**9 989**
Consideration paid	1 650
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(8 339)**

RTM – Odintsovo LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 30 May 2006
Land plot under development and constructions in progress	12 612
Loans to customers	4 198
Receivables under construction contracts	4 016
Accounts receivable	670
Cash and cash equivalents	4
Borrowings	(10 902)
Deferred income tax liabilities	(2 493)
Accounts payable	(205)
Total net assets	**7 900**
Including net assets acquired by the Group (99%)	7 821
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(7 821)**

CJSC Mercury

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Land plot under development and constructions in progress	27 295
Receivables under construction contracts	6 628
Cash and cash equivalents	2 121
Loans to customers	707
VAT recoverable	210
Other assets	588
Borrowings	(31 850)
Deferred income tax liabilities	(2 811)
Accounts payable	(218)
Total net assets	**2 670**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(2 670)**

(in thousands of US Dollars)

At the date of acquisition no information about fair value of land plot under development was available. Therefore, the land plot under development was recognised at cost at the date of acquisition.

TC Svobodniy LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 30 April 2006
Investment property	11 734
Cash and cash equivalents	1 647
Accounts receivable	384
Loans to customers	140
VAT recoverable	9
Borrowings	(9 361)
Finance leases of lands plots	(835)
Deferred income tax liabilities	(670)
Accounts payable	(421)
Total net assets	**2 627**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(2 627)**

RTM – Samara LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Land plot under development and constructions in progress	10 259
Other assets	39
Borrowings	(7 333)
Deferred income tax liabilities	(710)
Other liabilities	(1)
Total net assets	**2 254**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(2 254)**

MP Trading LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 31 May 2006
Investment property	3 974
Accounts receivable	2 145
Loans to customers	19
VAT recoverable	1
Borrowings	(3 442)
Deferred income tax liabilities	(472)
Accounts payable	(2)
Total net assets	**2 223**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(2 223)**

(in thousands of US Dollars)

Vinart LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 22 September 2006
Investment property	18 459
Loans to customers	3 973
Accounts receivable	3 892
VAT Recovery	2 700
Cash and cash equivalents	89
Borrowings	(26 668)
Deferred income tax liabilities	(625)
Accounts payable	(514)
Total net assets	**1 306**
Including net assets acquired by the Group (99%)	1 293
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(1 293)**

CJSC FPK Orbita

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 30 April 2006
Investment property	3 630
Accounts receivable	645
Land plot under development and constructions in progress	199
Receivables under construction contracts	196
Cash and cash equivalents	30
Other assets	20
Accounts payable	(3 804)
Deferred income tax liabilities	(80)
Borrowings	(9)
Total net assets	**827**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(827)**

Expo Tekh LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 20 January 2006
Constructions in progress	12 925
VAT recoverable	2 353
Accounts receivable	1 523
Cash and cash equivalents	13
Other assets	677
Borrowings	(9 581)
Accounts payable	(7 285)
Deferred income tax liabilities	(115)
Total net assets	**510**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(510)**

(in thousands of US Dollars)

DT 1 Era 2 LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Loans to customers	170
Accounts receivable	14
VAT recoverable	13
Cash and cash equivalents	1
Accounts payable	(42)
Other liabilities	(1)
Total net assets	**155**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(155)**

Markon LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Loans to customers	3 152
Accounts receivable	116
Cash and cash equivalents	18
VAT recoverable	5
Other assets	654
Borrowings	(3 806)
Accounts payable	(19)
Deferred income tax liabilities	(12)
Total net assets	**108**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(108)**

INEX LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 22 September 2006
Accounts receivable	18 513
Constructions in progress	1 390
Loans to customers	11
Deferred income tax assets	2
Borrowings	(19 747)
Accounts payable	(63)
Total net assets	**106**
Including net assets acquired by the Group (99%)	105
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(105)**

(in thousands of US Dollars)

RTM – Lipetsk LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Receivables under construction contracts	606
Accounts receivable	605
Cash and cash equivalents	3
Other assets	5
Borrowings	(1 213)
Accounts payable	(3)
Deferred income tax liabilities	(1)
Total net assets	**2**
Including net assets acquired by the Group (90%)	2
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(2)**

Panteks LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Loans to customers	70
Accounts receivable	40
Cash and cash equivalents	36
Investment property	13
VAT recoverable	4
Accounts payable	(106)
Borrowings	(34)
Other liabilities	(21)
Total net assets	**2**
Net assets acquired by the Group (51%)	1
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(1)**

RTM – Supermarkety LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 20 January 2006
Accounts payable	1
Total net assets	**1**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(1)**

(in thousands of US Dollars)

Elegans LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 11 January 2006
Loans to customers	81
Borrowings	(81)
Total net assets	**-**
Consideration paid	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**-**

Also the Group acquired control over the companies: Tekhnosoft LLC, Kaskad LLC, FinTrade LLC, RTM – Voronezh Severniy LLC, CJSC RTM – Bryansk (former CJSC RTM – Perspectiva), RTM Management LLC. At the date of acquisition these companies had no assets or liabilities and did not perform any operations.

Emsden Investments Limited

On 22 September 2006 the Group acquired 100% of the Company's shares. From the date of the incorporation to 31 December 2006 the Company has not performed any operations.

Below is a list of companies that were under common control of Mr. Trefilov and Mr. Vasiljev until the date of their acquisition by the Group:

Operating entity	Net assets at the date of the acquisition	Goodwill or excess of acquirer's interest in the net fair value of acquiree's net assets over cost
CJSC Kaskad	9 989	(8 339)
MP Trading LLC	2 223	(2 223)
Expo Tekh LLC	510	(510)
RTM – Izmaylovky LLC	(580)	581
Rekom LLC	(190)	190
DT 1 Era 2 LLC	155	(155)
Elko Systems LLC	(101)	101
Markon LLC	108	(108)
Romeks – Invest LLC	(41)	1 765
RTM – Lipetsk LLC	2	(2)
Panteks LLC	2	(1)
RTM – Supermarkety LLC	1	(1)
Elegans LLC	-	-
Kaskad LLC	-	-
Tekhnosoft LLC	-	-
FinTrade LLC	-	-
Total amounts	**12 078**	**(8 702)**

Below is a list of companies that were under control of Mr. Vyrypaev until the date of their acquisition by the Group:

Operating entity	Total net assets at the date of the acquisition	Excess of acquirer's interest in the net fair value of acquiree's net assets over cost
CJSC Mercury	2 670	(2 670)
CJSC FPK Orbita	827	(827)
Total amounts	**3 497**	**(3 497)**

(in thousands of US Dollars)

Below is a list of companies that were under common control of Mr. Vyrypaev, Mr. Trefilov and Mr. Vasiljev until the date of their acquisition by the Group:

Operating entity	**Total net assets at the date of the acquisition**	**Goodwill and excess of acquirer's interest in the net fair value of acquiree's net assets over cost**
Mobil Systems LLC	26 662	(22 530)
RTM – Odintsovo LLC	7 900	(7 821)
TC Svobodniy LLC	2 627	(2 627)
RTM Samara LLC	2 254	(2 254)
Vinart LLC	1 306	(1 293)
INEX LLC	106	(105)
Tula Rekonstrukciya LLC	(1 418)	1 404
TorgPromAktiv LLC	(24)	24
CJSC RTM Development	(22)	22
Averstrade LLC	(1)	1
RTM – Voronezh Severniy LLC	-	-
CJSC RTM – Bryansk	-	-
RTM Management LLC	-	-
Emsden Investments Limited	-	-
Total amounts	**39 390**	**(35 179)**

27. Subsequent Events

Initial Public Offering

On 22 January 2007 the issuance of 40 000 000 ordinary shares in the share capital of OJSC RTM was registered by the Federal Financial Markets Service of the Russian Federation (FFMS) under registration number 1-01-11658-A-001D.

SHM Limited acted as a selling shareholder during the Initial Public Offering of the Company. The offering consisted of 34 782 610 ordinary shares in the share capital of OJSC RTM, each share with a nominal value of RUR 0.001 per share, offered in the form of shares and global depositary receipts (GDRs), representing 25.8 percent of the company's enlarged share capital of the Company. Offering price was set at USD 2.30 for each ordinary share and at USD 11.50 per each GDR with each GDR representing five ordinary shares.

The unlisted GDRs have been offered by the selling shareholder to investors outside Russia and the United States, the ordinary shares, to be listed on the RTS exchange, offered to Russian investors and non-U.S. institutions.

On 5 June 2007 the selling shareholder received consideration from the Initial Public Offering in the amount of RUR 1 978 660 thousand (equivalent of USD 76 417 thousand).

SHM Limited has granted ING N.V., London Branch (ING or the Lead Manager), an option (the Over-Allotment Option) exercisable until 30 days after the publication of the Offering Memorandum to purchase or procure purchasers for up to 5 217 390 additional shares in the form of additional GDRs at the offered price referred to above. ING has exercised the option and purchased 5 217 390 additional shares in the form of additional GDRs on 22 June 2007. The net proceed from the over-allotment option is amounted to RUR 297 675 thousand (equivalent of USD 11 463 thousand).

As the result of the Initial Public Offering 40 000 000 shares have been placed, representing 28.6 percent of the enlarged share capital of the Company. Net consideration received from the Initial Public Offering amounted to RUR 2 276 335 thousand (equivalent of USD 87 880 thousand).

Acquisition of subsidiaries

On 2 February 2007 the Group acquired shares in charter capital of Averstreid LLC (100%).

On 20 February 2007 the Company acquired 100% stake in share capital of Marta Vermögensberatungs GmbH. Marta Vermögensberatungs GmbH owns a 75% stake in Mareal Immobilienverwaltungs GmbH which, in turn, owns a 100% interest in OOO ReMa Immobilien.

On 28 February 2007 the Group acquired shares in charter capital of RTM – Odintsovo LLC (100%).

On 23 March 2007 the Group acquired additional 49% shares in charter capital of Pantex LLC, as a result share in charter capital reached 100%.

On 30 March 2007 the Group acquired additional 70% shares in charter capital of FinTrade LLC, as a result share in charter capital reached 100%.

On 2 April 2007 the Group acquired additional 75% shares in charter capital of MP Trading LLC, as a result share in charter capital reached 100%.

On 25 April 2007 the Group acquired 100% shares in charter capital of Tula Rekonstrukziya LLC.

On 8 May 2007 the Group acquired 100% shares in charter capital of Vinartr LLC and Inex LLC.

On 31 May 2007 the Group acquired 100% shares in charter capital of CJSC Mercury.

Other Events

On 18 January 2007 the subsidiary Company RTM – Supermarkety LLC was renamed to RTM – Finance LLC.