OJSC LSR Group
(formerly OOO Group LSR)

Consolidated Interim Financial Statements
for the six months ended
30 June 2007

Contents

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Independent Accountants' Report

Board of Directors of OJSC LSR Group (formerly OOO Group LSR)

Report on Review of the Interim Financial Statements

Introduction

We have reviewed the accompanying consolidated interim balance sheet of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related consolidated interim statements of income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the consolidated interim financial statements). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of the *Group* as at 30 June 2007, and its consolidated interim financial performance and its consolidated interim cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG

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4 October 2007

For the six months ended 30 June

	Note	2007 '000 RUR	2006 '000 RUR	2007 '000 USD	2006 '000 USD
Revenue		16,062,031	9,336,450	615,812	337,301
Cost of sales		(10,257,445)	(6,152,181)	(393,266)	(222,262)
Gross profit		5,804,586	3,184,269	222,546	115,039
Distribution expenses		(815,343)	(608,228)	(31,260)	(21,974)
Administrative expenses	8	(2,013,155)	(1,459,502)	(77,183)	(52,728)
Changes in fair value of investment property		5,022,347	-	192,555	-
Other expenses	9	(142,998)	(82,346)	(5,483)	(2,975)
Results from operating activities		7,855,437	1,034,193	301,175	37,362
Financial income	11	87,734	178,104	3,364	6,434
Financial expenses	11	(782,127)	(491,169)	(29,986)	(17,745)
Profit before income tax		7,161,044	721,128	274,553	26,051
Income tax expense	12	(1,702,508)	(220,802)	(65,274)	(7,976)
Profit for the period		5,458,536	500,326	209,279	18,074
Attributable to:					
Shareholders of the Company		5,400,757	454,177	207,064	16,408
Minority interest		57,779	46,149	2,215	1,666
		5,458,536	500,326	209,279	18,075
Basic and diluted earnings per share	23				
Ordinary shares		63.43 RUR	5.33 RUR	2.43 USD	0.20 USD

These consolidated interim financial statements were approved by management on 4 October 2007 and were signed on its behalf by:

I.M. Levit
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated interim income statement is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 12 to 68.

	Note	30 June 2007	31 December 2006	30 June 2007	31 December 2006
		’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
ASSETS					
Non-current assets					
Property, plant and equipment	13	13,273,270	10,621,122	514,145	403,368
Investment property under development	15	6,121,347	496,852	237,113	18,869
Investment property	16	1,760,079	1,046,666	68,177	39,750
Goodwill	14	572,669	572,669	22,183	21,749
Other intangible assets		14,891	3,234	577	123
Other investments	17	275,151	327,088	10,658	12,422
Deferred tax assets	18	317,344	337,162	12,292	12,805
Other non-current assets		129,856	11,702	5,030	444
Total non-current assets		22,464,607	13,416,495	870,175	509,530
Current assets					
Other investments	17	973,580	800,439	37,712	30,399
Inventories	19	16,819,936	13,950,288	651,526	529,803
Income tax receivable		63,072	58,412	2,443	2,218
Trade and other receivables	20	9,530,122	8,836,540	369,153	335,593
Cash and cash equivalents	21	945,053	1,608,222	36,607	61,077
Assets classified as held for sale	5	159,023	70,933	6,160	2,694
Total current assets		28,490,786	25,324,834	1,103,601	961,784
Total assets		50,955,393	38,741,329	1,973,776	1,471,314

The consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 12 to 68.

	Note	30 June 2007 '000 RUR	31 December 2006 '000 RUR	30 June 2007 '000 USD	31 December 2006 '000 USD
EQUITY AND LIABILITIES					
Equity	22				
Share capital		30,106	30,106	1,078	1,078
Additional paid-in capital		3,044,529	2,145,697	111,971	77,510
Foreign currency translation reserve		-	-	15,182	8,785
Retained earnings		7,923,393	2,522,636	298,702	91,639
Total equity attributable to shareholders of the Company		10,998,028	4,698,439	426,933	179,012
Minority interest		467,612	441,248	17,193	16,182
Total equity		11,465,640	5,139,687	444,126	195,194
Non-current liabilities					
Loans and borrowings	24	12,086,497	8,721,215	468,174	331,213
Trade and other payables		84,958	12,954	3,293	492
Deferred tax liabilities	18	2,320,860	939,735	89,898	35,689
Total non-current liabilities		14,492,315	9,673,904	561,365	367,394
Current liabilities					
Bank overdraft		32,710	25,944	1,267	985
Loans and borrowings	24	5,676,617	5,730,721	219,885	217,641
Income tax payable		206,658	81,733	8,006	3,104
Trade and other payables	26	18,731,228	17,848,371	725,561	677,844
Provisions	25	243,190	213,040	9,420	8,091
Liabilities classified as held for sale	5	107,035	27,929	4,146	1,061
Total current liabilities		24,997,438	23,927,738	968,285	908,726
Total liabilities		39,489,753	33,601,642	1,529,650	1,276,120
Total equity and liabilities		50,955,393	38,741,329	1,973,776	1,471,314

The consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 12 to 68.

For the six months ended 30 June

	2007	2006	2007	2006
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
Net profit for the period	5,458,536	500,326	209,278	18,075
Adjustments for:				
Depreciation and amortisation	623,998	564,744	23,924	20,403
Loss on disposal of property, plant and equipment	124,223	109,822	4,763	3,968
Change in fair value of investment property	(5,022,347)	-	(192,555)	-
Interest expense	727,862	442,004	27,906	15,968
Interest income	(26,828)	(14,367)	(1,029)	(519)
Dividend income	-	(69,782)	-	(2,521)
Other non-cash movements	(8,859)	3	(340)	-
Income tax expense	1,702,508	220,802	65,274	7,977
Operating profit before changes in working capital and provisions	**3,579,093**	**1,753,552**	**137,221**	**63,351**
Increase in inventories	(2,869,648)	(642,770)	(110,021)	(23,222)
Increase in trade and other receivables	(803,767)	(2,340,787)	(30,817)	(84,566)
Increase in trade and other payables	956,823	1,629,877	36,685	58,883
Increase/(decrease) in provisions	30,150	(68,802)	1,156	(2,486)
Cash flows from operations before income taxes and interest paid	**892,651**	**331,070**	**34,224**	**11,960**
Income taxes paid	(450,906)	(236,302)	(17,288)	(8,537)
Interest paid	(730,276)	(446,334)	(27,998)	(16,125)
Cash flows utilised by operating activities	**(288,531)**	**(351,566)**	**(11,062)**	**(12,702)**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 12 to 68.

For the six months ended 30 June	**2007**	**2006**	**2007**	**2006**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	270,638	5,698	10,376	206
Interest received	26,828	14,367	1,029	519
Dividends received	-	69,782	-	2,521
Acquisition of property, plant and equipment	(1,959,552)	(539,972)	(75,129)	(19,508)
Acquisition of investment property under development	(1,315,561)	9,222	(50,438)	333
Loans given	(1,431,803)	(824,886)	(54,895)	(29,801)
Loans repaid	1,382,010	-	52,988	-
Disposal of discontinued operations net of cash disposed of	-	(14,187)	-	(513)
Disposal of subsidiaries net of cash disposed of	-	31,955	-	1,154
Acquisition of subsidiaries, net of cash acquired	(12,229)	(785,954)	(472)	(28,394)
Acquisition of minority interest	-	(4,996)	-	(180)
Purchase of other investments	(43,065)	(66,793)	(1,651)	(2,413)
Cash flows utilised by investing activities	**(3,082,734)**	**(2,105,764)**	**(118,192)**	**(76,076)**
FINANCING ACTIVITIES				
Proceeds from borrowings	11,036,198	8,830,463	423,123	319,021
Repayment of borrowings	(7,940,834)	(6,198,715)	(304,448)	(223,943)
Contribution from shareholder	-	226,663	-	8,189
Payment of finance lease liabilities	(394,034)	(363,818)	(15,107)	(13,144)
Cash flows from financing activities	**2,701,330**	**2,494,593**	**103,568**	**90,123**
Net (decrease)/increase in cash and cash equivalents	(669,935)	37,263	(25,686)	1,345
Cash and cash equivalents at beginning of period	**1,582,278**	**766,578**	**60,092**	**26,633**
Effect of exchange rate fluctuations on cash and cash equivalents	**-**	**-**	934	1,705
Cash and cash equivalents at end of period (note 21)	**912,343**	**803,841**	**35,340**	**29,683**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 12 to 68.

’000 RUR	**Attributable to shareholders of the Company**				**Minority interest**	**Total equity**
	Share capital	**Additional paid-in capital**	**Retained earnings**	**Total**		
Balance at 1 January 2006	30,106	990,919	1,538,122	2,559,147	455,858	3,015,005
Profit for the period	-	-	454,177	454,177	46,149	500,326
Excess of book values of net assets acquired for entities under common control over consideration paid	-	559,031	-	559,031	173,486	732,517
Excess of minority interest acquired for entities under common control over consideration paid	-	103,953	-	103,953	(260,726)	(156,773)
Excess of book values of net assets sold for entities under common control over consideration received	-	(234,370)	-	(234,370)	(53,488)	(287,858)
Excess of consideration received for entities under common control over book values of net assets sold	-	23,735	-	23,735	-	23,735
Excess of consideration received for entities under common control over book values of net assets sold from discontinued operations	-	333,714	-	333,714	-	333,714
Shareholder contributions	-	226,663	-	226,663	-	226,663
Balance at 30 June 2006	30,106	2,003,645	1,992,299	4,026,050	361,279	4,387,329
Balance at 1 January 2007	30,106	2,145,697	2,522,636	4,698,439	441,248	5,139,687
Profit for the period			5,400,757	5,400,757	57,779	5,458,536
Excess of minority interest acquired over consideration paid	-	36,342	-	36,342	(31,415)	4,927
Excess of book values of net assets acquired for entities under common control over consideration paid	-	862,490	-	862,490	-	862,490
Balance at 30 June 2007	30,106	3,044,529	7,923,393	10,998,028	467,612	11,465,640

'000 USD	**Attributable to shareholders of the Company**					**Minority interest**	**Total equity**
	Share capital	**Additional paid in capital**	**Foreign currencytra nslation reserve**	**Retained earnings**	**Total**		
Balance at 1 January 2006	1,078	35,032	(3,503)	55,424	88,031	16,721	104,752
Profit for the period	-	-	-	16,408	16,408	1,667	18,075
Foreign exchange translation differences	-	-	7,690	-	7,690	-	7,690
Excess of book values of net assets acquired for entities under common control over consideration paid	-	20,196	-	-	20,196	6,268	26,464
Excess of minority interest acquired for entities under common control over consideration paid	-	3,756	-	-	3,756	(9,419)	(5,663)
Excess of book values of net assets sold for entities under common control over consideration received	-	(8,467)	-	-	(8,467)	(1,932)	(10,399)
Excess of consideration received for entities under common control over book values of net assets sold	-	857	-	-	857	-	857
Excess of consideration received for entities under common control over book values of net assets sold from discontinued operations	-	12,056	-	-	12,056	-	12,056
Shareholder contributions	-	8,189	-	-	8,189	-	8,189
Balance at 30 June 2006	1,078	71,619	4,187	71,832	148,716	13,305	162,021
Balance at 1 January 2007	1,078	77,510	8,785	91,639	179,012	16,182	195,194
Profit for the period	-	-	-	207,063	207,063	2,215	209,278
Foreign exchange translation differences	-	-	6,397	-	6,397	-	6,397
Excess of minority interest acquired over consideration paid	-	1,393	-	-	1,393	(1,204)	189
Excess of book values of net assets acquired for entities under common control over consideration paid	-	33,068	-	-	33,068	-	33,068
Balance at 30 June 2007	1,078	111,971	15,182	298,702	426,933	17,193	444,126

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 12 to 68.

1 Background

(a) Organisation and operations

OJSC LSR Group (formerly OOO Group LSR) (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian limited liability and open and closed joint stock companies as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Company's registered office is Russia, St. Petersburg, Kazanskaya 36.

The Group's principal activities are the construction of buildings in St. Petersburg, Moscow and Munich, the production of construction materials at plants located in St. Petersburg, Leningradskaya Oblast, Latvia and Estonia and the extraction of materials in different areas of Leningradskaya Oblast. These products are sold mainly in the Russian Federation.

The Group is ultimately controlled (78.4%) by a single individual, Mr. Molchanov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit.

(b) Russian business environment

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

2 Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting.*

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that investment property and investments available-for-sale are stated at fair value; property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated interim financial statements are presented. These consolidated interim financial statements are also presented in

USD since management believes that this currency is useful for the users of the consolidated interim financial statements. All financial information presented in RUR and USD has been rounded to the nearest thousand. The RUR is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUR to USD should not be construed as a representation that the RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of judgments, estimates and assumptions

Management has made a number of judgements, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated interim financial statements in conformity with IFRSs. Actual results may differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 13 – deemed cost of property plant and equipment;
- Note 15, 16 – valuation of investment property;
- Note 25 – provision for loss making contracts;
- Note 25(a) – provision for site restoration; and
- Note 29 – contingencies.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated interim financial statements are described in note 3(a) to 3(s). These accounting policies have been consistently applied;

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

(ii) Special purpose entities

The Group has established a number of special purpose entities (“SPE”s) for trading purposes. The Group does not have any direct or indirect shareholdings in these entities. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs’ management and that result in the Group receiving all of the benefits related to the SPEs’ operations and net assets.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their previous book values as recognised in the individual financial statements of the acquiree. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) Disposals to entities under common control

Disposals of controlling interests in entities to the shareholder that controls the Company are accounted for at the date of transfer of shares by the Group. Any difference between the book value of net assets sold and consideration received is recognised as a contribution from, or distribution to, shareholders.

(v) Acquisitions and disposals of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as a contribution from, or distribution to, shareholders.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or contribution from, shareholders.

(vi) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on the translation are recognised in profit and loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement.

(iii) Translation to presentation currency

The assets and liabilities of Group enterprises are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at rates approximating exchange rates at the dates of the transactions. Translation differences are recognised directly in equity in the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash equivalents comprise call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

(d) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 50 years
- Machinery and equipment 5 to 29 years
- Transportation equipment 8 to 20 years
- Other fixed assets 5 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Intangible assets

(i) Goodwill and negative goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions prior to 1 January 2005

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2005. The Group did not prepare consolidated interim financial statements under Russian GAAP. In respect of acquisitions prior to 1 January 2005, goodwill therefore represents the difference between the Company’s interest in a subsidiary’s net identifiable assets on the date of transition and the cost of that interest.

Acquisitions on or after 1 January 2005

For acquisitions on or after 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iv) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in the income statement. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio periodically. The fair values are based on market values, being the estimated amount for which the property could be exchanged on the date of the 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Amounts due from customers for contract work represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Amounts due from customers for contract work is represented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit or loss.

(ii) Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the 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 an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in the income statement when they are due.

(l) Provisions

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

(i) Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of quarries, and the related expense, is recognised as quarrying progresses.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Revenues

(i) Goods sold

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from the sale of flats is recognised when the buyer takes occupation of the property.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recovered. An expected loss on a contract is recognised immediately in the profit or loss.

(n) Other expenses

(i) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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 lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the income statement as incurred.

(o) Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, minority interest in limited liability subsidiaries, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(s) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2007, and have not been applied in preparing these consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 8 *Operating Segments,* which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*, which is effective for annual periods beginning on or after 1 March 2007. The Interpretation addresses the classification of the share-based payment as equity-settled or cash-settled in the financial statements of the entity receiving the services.

4 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing in case of intercompany transactions is substantially determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

(a) Business segments

The Group comprises the following main business segments:

Development. Development companies specialize in construction of residential buildings of different standards of comfort and implementation of country house projects.

Commercial real estate. Commercial real estate companies own and operate business centers.

Building materials. The building materials production companies are engaged in production of brick, concrete and ferroconcrete items, redi-mix concrete, lightweighted concrete blocks, and window blocks and doors.

Aggregates. Aggregates companies are engaged in crushed stone production, sand quarrying and sea sand quarrying.

Construction. Construction companies specialize in large panel residential building developments and pile driving.

Construction services. Construction services companies specialize in renting of tower cranes and transportation of construction materials.

Roads construction. Road construction companies provided a wide range of road development, construction and maintenance services. This segment was sold in January 2006.

(b) Geographical segments

The operations of the Group are conducted and managed in the North-West region of Russia in the cities of St. Petersburg and in Moscow where production facilities and sales offices of the Group are located. The Group also has operations in Munich, Latvia and Estonia which are not significant to total operations of the Group and, accordingly, no geographical segmental information is presented.

(i) Business segments

For the six months ended 30 June 2007

’000 RUR	**Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Revenue from external customers	5,444,431	24,676	6,469,126	1,809,053	1,871,113	433,685	9,947	-	16,062,031
Inter-segment revenue	319,134	-	322,514	430,485	492,211	223,151	-	(1,787,495)	-
Total revenue	5,763,565	24,676	6,791,640	2,239,538	2,363,324	656,836	9,947	(1,787,495)	16,062,031
Segment result	5,026,983	1,104,932	1,136,818	596,407	(49,990)	125,684	36,350	165,245	8,142,429
Unallocated expenses									(286,992)
Financial income									87,734
Financial expenses									(782,127)
Income tax expense									(1,702,508)
Net profit for the period									5,458,536
Depreciation/amortisation	19,078	1,518	221,063	181,345	89,321	85,175	26,498	-	623,998
Capital expenditure	175,693	125,554	642,971	640,522	207,522	616,738	384,692	(172,529)	2,621,163

For the six months ended 30 June 2006

’000 RUR	**Development**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Eliminations**	**Consolidated**
Revenue from external customers	2,231,285	3,565,887	1,331,806	1,784,229	355,421	67,822		9,336,450
Inter-segment revenue	16,408	183,646	383,045	102,168	158,532	102,319	(946,118)	-
Total revenue	2,247,693	3,749,533	1,714,851	1,886,397	513,953	170,141	(946,118)	9,336,450
Segment result	317,922	219,139	200,750	186,083	139,705	41,677	162,692	1,267,968
Unallocated expenses								(233,775)
Financial income								178,104
Financial expenses								(491,169)
Income tax expense								(220,802)
Net profit for the period								500,326
Depreciation/amortization	5,033	163,247	182,136	76,242	55,892	82,194	-	564,744
Capital expenditure	10,265	1,189,959	145,979	99,298	173,992	99,636	(849,295)	869,834

For the six months ended 30 June 2007

’000 USD	Development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Revenue from external customers	208,738	946	248,024	69,358	71,738	16,627	381	-	615,812
Inter-segment revenue	12,235	-	12,365	16,505	18,871	8,556	-	(68,532)	-
Total revenue	220,973	946	260,389	85,863	90,609	25,183	381	(68,532)	615,812
Segment result	192,732	42,363	43,585	22,866	(1,917)	4,819	1,394	6,335	312,177
Unallocated expenses									(11,003)
Financial income									3,364
Financial expenses									(29,986)
Income tax expense									(65,273)
Net profit for the period									209,279
Depreciation/amortization	731	58	8,475	6,953	3,425	3,266	1,016	-	23,924
Capital expenditure	6,736	4,814	24,651	24,557	7,956	23,645	14,749	(6,615)	100,493

For the six months ended 30 June 2006

’000 USD	Development	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Revenue from external customers	80,611	128,826	48,115	64,459	12,840	2,450		337,301
Inter-segment revenue	593	6,635	13,838	3,691	5,727	3,697	(34,181)	-
Total revenue	81,204	135,461	61,953	68,150	18,567	6,147	(34,181)	337,301
Segment result	11,486	7,917	7,253	6,723	5,047	1,506	5,878	45,808
Unallocated expenses								(8,446)
Financial income								6,434
Financial expenses								(17,745)
Income tax expense								(7,977)
Net profit for the period								18,074
Depreciation/amortization	182	5,898	6,580	2,754	2,019	2,969	-	20,402
Capital expenditure	371	42,990	5,274	3,587	6,286	3,600	(30,684)	31,424

30 June 2007

’000 RUR	Development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Segment assets	30,238,896	1,771,093	9,616,809	3,228,220	4,271,515	2,045,660	575	(4,101,746)	47,071,022
Unallocated assets									3,884,371
Total assets									50,955,393
Segment liabilities	19,916,198	473,939	3,619,366	820,556	1,714,492	814,414	(1,159)	(3,783,711)	23,574,095
Unallocated liabilities									15,915,658
Total liabilities									39,489,753

31 December 2006

’000 RUR	Development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Segment assets	21,192,562	919,231	8,355,970	2,721,488	2,830,815	1,430,804	629	(1,559,699)	35,891,800
Unallocated assets									2,849,529
Total assets									38,741,329
Segment liabilities	15,782,512	507,723	2,410,980	513,385	717,166	296,248	1,170	(1,498,995)	18,730,189
Unallocated liabilities									14,871,453
Total liabilities									33,601,642

30 June 2007

’000 USD	Development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Segment assets	1,171,315	68,604	372,511	125,046	165,459	79,239	22	(158,883)	1,823,313
Unallocated assets									150,463
Total assets									1,973,776
Segment liabilities	771,461	18,358	140,197	31,785	66,411	31,547	(45)	(146,563)	913,151
Unallocated liabilities									616,499
Total liabilities									1,529,650

31 December 2006

’000 USD	Development	Commercial real estate	Building materials	Aggregates	Construction	Construction services	Other entities	Eliminations	Consolidated
Segment assets	804,849	34,910	317,342	103,356	107,508	54,339	24	(59,234)	1,363,094
Unallocated assets									108,220

Total assets									1,471,314
Segment liabilities	599,387	19,282	91,564	19,497	27,236	11,251	44	(56,929)	711,332
Unallocated liabilities									564,788
Total liabilities									1,276,120

5 Non-current assets held for sale

Two subsidiaries within the Group are presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell these non-core subsidiaries. Efforts to sell the disposal group have commenced, and a sale is expected during 2007.

	As at 30 June 2007	
	'000 RUR	**'000 USD**
Assets classified as held for sale		
Property plant and equipment	132,494	5,132
Inventories	21,997	852
Receivables	3,741	145
Financial assets	791	31
	159,023	**6,160**
Liabilities classified as held for sale		
Trade and other payables	95,391	3,695
Deferred tax liabilities	11,644	451
	107,035	**4,146**

6 Acquisition and disposal of subsidiaries and minority interests

(a) Acquisition of subsidiaries

During 2007 the Group acquired a controlling interest, settled in cash, in ZAO Grad from companies controlled by the Company's ultimate controlling party. This acquisition had no impact on profit for the six months ended 30 June 2007.

It has not been practicable to determine the effects on the Group's revenue and profit for the period had the acquisition occurred on 1 January 2007.

The acquisition of the subsidiary had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised book values on acquisition	
	'000 RUR	**'000 USD**
Property, plant and equipment	1,135,944	43,552
Investments	810	31
Income tax receivable	368	14
Trade and other receivables	7,976	307

Cash and cash equivalents	71	3
Deferred tax liabilities	(269,973)	(10,351)
Trade and other payables	(406)	(16)
Net identifiable assets, liabilities and contingent liabilities	**874,790**	**33,540**
Difference between net assets acquired and consideration paid recognised in equity	(862,490)	(33,068)
Consideration paid	12,300	472
Cash acquired	(71)	(3)
Net cash outflow	12,229	469

During the 6 months ended 30 June 2006 the Group acquired controlling stakes, settled in cash, in eight entities ZAO Galernaya (formerly OOO Galernaya), ZAO Severnaya Venetcia, ZAO Vsevologskoe SMP, OOO Yakornaya, OOO Baltstroikomplect, OOO Smolniy kvartal, OOO Cement and ZAO Chifko Plus from companies controlled by the ultimate controlling party and in two entities OAO Zavod Zhelezobetonnich Izdeliy-6 and Aeroc International AS from unrelated parties. The impact of acquiring the subsidiaries was to reduce net profit for the 6 months ended 30 June 2006 by RUR 7,461 thousand /USD 269 thousand.

If the acquisitions had occurred on 1 January 2006, Group revenue for the period would have increased by RUR 115,298 thousand/ USD 4,165 thousand and the net profit for the period would have decreased by RUR 883 thousand/ USD 31 thousand. In determining these figures, it has been assumed that the fair value adjustments at 1 January 2006 would have been the same as the fair value adjustments that arose on the date of acquisition.

It has not been possible to determine the carrying amounts of the assets and liabilities of subsidiaries acquired from third parties on an IFRS basis immediately prior to the date of acquisition because the subsidiaries' financial statements were prepared in accordance with Russian accounting principles which are significantly different form IFRSs.

The acquisition of the subsidiaries had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair/book values on acquisition	
	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	853,866	30,850
Investmentproperty under development	100,444	3,629
Investment property	1,038,834	37,530
Long-term investments	9,927	359
Intangible assets	63	2
Deferred income tax assets, net	6,322	228
Other non-current assets	133,057	4,807

Current assets		
Investments	90,510	3,270
Inventories	291,422	10,528
Income tax receivable	5,702	206
Trade and other receivables	1,642,840	59,351
Cash and cash equivalents	48,771	1,762
Due from affiliates	127,974	4,623
Non-current liabilities		
Deferred tax liability	(168,957)	(6,104)
Current liabilities		
Loans and borrowings	(546,768)	(19,753)
Income tax payable	(3,810)	(138)
Provisions	(23,683)	(856)
Trade and other payables	(1,365,172)	(49,320)
Due to affiliates	(1,160,471)	(41,925)
Net identifiable assets, liabilities and contingent liabilities	1,080,871	39,049
Minority interest	(173,486)	(6,268)
Net identifiable assets, liabilities and contingent liabilities acquired	907,385	32,781
Goodwill on acquisition	486,371	17,571
Difference between net assets acquired and consideration paid recognised in equity	(559,031)	(20,196)
Consideration paid	834,725	30,156
Cash acquired	(48,771)	(1,762)
Net cash outflow	785,954	28,394

(b) Acquisition of minority interests

During 6 months ended 30 June 2007 the Group acquired an additional minority interest in a number of subsidiaries. The Group recognised a decrease in minority interest of RUR 31,415 thousand/USD 1,204 thousand, contribution from shareholders of RUR 36,342 thousand/USD 1,393 thousand was recognised directly in equity.

(c) Disposal of subsidiaries

During 6 months ended 30 June 2006 the Group disposed of eight subsidiaries to companies controlled by the ultimate controlling party. The subsidiaries reduced the net profit for the 6 months ended 30 June 2006 by RUR 59,241 thousand/USD 2,188 thousand. The net loss on disposal of RUR 210,635 thousand/USD 7,748 thousand was recognised in net assets attributable to shareholders. The Group also recognised income from disposal of discontinued operations in amount of RUR 333,714 thousand/USD 12,056 thousand (see note 7).

The disposal of the subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount at date of disposal	
	'000 RUR	**'000 USD**
Non-current assets		
Property, plant and equipment	213,945	7,729
Intangible assets	52	2
Investments	200	7
Long-term investments	56,857	2,054
Current assets		
Investments	835	30
Inventories	66,614	2,407
Income tax receivable	434	16
Trade and other receivables	290,616	10,499
Due from affiliates	3,018	109
Cash and cash equivalents	24,389	881
Non-current liabilities		
Deferred tax liability	(30,017)	(1,084)
Other non-current liabilities	(194)	(7)
Current liabilities		
Loans and borrowings	(22,849)	(825)
Bank overdrafts	(260)	(9)
Trade and other payables	(282,116)	(10,194)
Provisions	(55)	(2)
Income tax payable	(1,002)	(36)
Net identifiable assets and liabilities	**320,467**	**11,577**
Minority interest	(53,488)	(1,932)
Net identifiable assets, liabilities and contingent liabilities disposed	266,979	9,645
Excess of consideration received for entities under common control over book values of net assets sold	23,735	857
Excess of book values of net assets sold for entities under common control over consideration received	(234,370)	(8,467)
Consideration received	56,344	2,035
Cash disposed of	(24,389)	(881)
Net cash inflow	31,955	1,154

7 Discontinued operation

In January 2006 the Group sold its entire roads construction segment; the segment was not a discontinued operation or classified as held for sale as at 1 January 2006. Management commited to a plan to sell this division early 2006 due to the strategic decision to place greater focus on the Group’s key competencies, being the manufacture of building materials, development, aggregates and construction and construction services.

The disposal of the segment had the following effect on the Group’s assets and liabilities at the date of disposal:

	As at 1 January 2006	
	’000 RUR	**’000 USD**
Effect of disposal on the financial position of the Group		
Property, plant and equipment	480,164	17,347
Deferred tax asset	157,682	5,697
Inventories	487,951	17,628
Trade and other receivables	876,411	31,662
Cash and cash equivalents	48,254	1,743
Trade and other payables	(1,132,791)	(40,925)
Other liabilities	(1,217,318)	(43,978)
Net identifiable assets and liabilities	(299,647)	(10,826)
Difference between net assets disposed and consideration received recognised in equity	333,714	12,056
Consideration received, satisfied in cash	34,067	1,230
Cash disposed of	(48,254)	(1,743)
Net cash outflow	(14,187)	(513)

8 Administrative expenses

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Wages and salaries	818,814	726,461	31,393	26,245
Services	558,146	191,665	21,399	6,924
Materials	224,903	200,345	8,623	7,238
Depreciation and amortisation	20,852	41,647	799	1,505
Taxes other than taxes on income	143,852	43,724	5,515	1,580
Social expenditure	38,420	16,699	1,473	603
Insurance	22,231	5,313	852	192
Other administrative expenses	185,937	233,648	7,129	8,441
	2,013,155	1,459,502	77,183	52,728

9 Other expenses

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Loss on disposal of property, plant and equipment	(124,223)	(109,822)	(4,763)	(3,968)
(Loss)/gain on disposal of other assets	(18,775)	27,476	(720)	993
	(142,998)	(82,346)	(5,483)	(2,975)

10 Total personnel costs

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD**	**’000 USD**
Wages and salaries:				
Cost of sales	1,735,227	1,082,214	66,528	39,097
Administrative expenses	818,814	726,461	31,393	26,245
Distribution expenses	92,375	59,255	3,542	2,141
	2,646,416	1,867,930	101,463	67,483

11 Financial income and expenses

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Financial income				
Foreign exchange gain	31,180	93,955	1,195	3,394
Interest income	26,828	14,367	1,029	519
Profit from sale of available-for-sale investments	29,726	-	1,140	-
Dividend income	-	69,782	-	2,521
	87,734	178,104	3,364	6,434
Financial expenses				
Interest expense	(727,862)	(442,004)	(27,906)	(15,968)
Loss from sale of available-for-sale investments	-	(18,370)	-	(664)
Minority interest in limited liability subsidiaries	(54,265)	(30,795)	(2,080)	(1,113)
	(782,127)	(491,169)	(29,986)	(17,745)

12 Income tax expense

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Current tax expense				
Current year	553,367	271,000	21,216	9,790
Deferred tax expense				
Origination and reversal of temporary differences	1,149,141	(50,198)	44,058	(1,814)
	1,702,508	220,802	65,274	7,976

The Group's applicable tax rate is the corporate income tax rate of 24% (2006: 24%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2007 ’000 RUR	**%**	**2006 ’000 RUR**	**%**	**2007 ’000 USD**	**%**	**2006 ’000 USD**	**%**
Profit before income tax	7,161,044	100	721,128	100	274,553	100	26,051	100
Income tax at applicable tax rate	1,718,651	24	173,071	24	65,892	24	6,253	24
Non-deductible and non-taxable items	(16,143)	-	47,731	7	(618)	-	1,723	7
	1,702,508	24	220,802	31	65,274	24	7,976	31

13 Property, plant and equipment

’000 RUR	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2006	3,373,713	2,759,520	1,398,398	1,038,329	531,180	9,101,140
Acquisitions through business combinations	367,394	312,030	123,087	11,514	39,841	853,866
Additions	33,794	90,957	104,201	27,622	533,970	790,544
Disposals	(23,414)	(378)	(39,891)	(46,272)	(30,235)	(140,190)
Business disposals	(265,396)	(168,187)	(376,984)	(39,214)	(25,675)	(875,456)
Transfers	301,884	400,412	36,181	(510,734)	(271,815)	(44,072)
At 30 June 2006	3,787,975	3,394,354	1,244,992	481,245	777,266	9,685,832
At 1 January 2007	5,072,585	4,264,142	1,732,384	517,796	935,800	12,522,707
Acquisitions through business combinations	1,135,944	-	-	-	-	1,135,944
Additions	267,741	1,015,254	405,260	35,885	897,023	2,621,163
Disposals	-	(336,960)	(150,206)	(4,830)	-	(491,996)
Transfers	63,823	124,345	104,477	47,866	(427,000)	(86,489)
Effect of movements in exchange rates	(251)	(405)	(25)	-	6	(675)
At 30 June 2007	6,539,842	5,066,376	2,091,890	596,717	1,405,829	15,700,654

Depreciation and impairment losses						
At 1 January 2006	(234,495)	(294,589)	(295,366)	(155,224)	-	(979,674)
Depreciation charge	(130,863)	(228,638)	(157,594)	(50,230)	-	(567,325)
Disposals	1,408	-	18,946	10,229	-	30,583
Business disposals	45,049	29,686	101,650	6,665	-	183,050
Transfers	(9,072)	(58,911)	(8,107)	76,322	-	232
At 30 June 2006	(327,973)	(552,452)	(340,471)	(112,238)	-	(1,333,134)
At 1 January 2007	(471,417)	(852,556)	(418,571)	(159,041)	-	(1,901,585)
Depreciation charge	(129,088)	(345,672)	(133,431)	(15,807)	-	(623,998)
Disposals	4,784	60,796	25,654	5,922	-	97,156
Transfers	127	389	(164)	664	-	1,016
Effect of movements in exchange rates	5	19	5	(2)	-	27
At 30 June 2007	(595,589)	(1,137,024)	(526,507)	(168,264)	-	(2,427,384)
Net book value						
At 1 January 2006	3,139,218	2,464,931	1,103,032	883,105	531,180	8,121,466
At 30 June 2006	3,460,002	2,841,902	904,521	369,007	777,266	8,352,698
At 31 December 2006	4,601,168	3,411,586	1,313,813	358,755	935,800	10,621,122
At 30 June 2007	5,944,253	3,929,352	1,565,383	428,453	1,405,829	13,273,270

'000 USD	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2006	117,214	95,875	48,585	36,075	18,455	316,204
Acquisitions through business combinations	13,273	11,273	4,447	416	1,439	30,848
Additions	1,221	3,286	3,765	998	19,291	28,561
Disposals	(846)	(14)	(1,441)	(1,672)	(1,092)	(5,065)
Business disposals	(9,588)	(6,076)	(13,619)	(1,417)	(928)	(31,628)
Transfers	10,906	14,466	1,307	(18,451)	(9,820)	(1,592)
Effect of movements in exchange rates	7,706	6,541	2,934	1,823	1,358	20,362
At 30 June 2006	139,886	125,351	45,978	17,772	28,703	357,690

At 1 January 2007	192,646	161,944	65,795	19,664	35,540	475,589
Acquisitions through business combinations	43,552	-	-	-	-	43,552
Additions	10,265	38,924	15,538	1,376	34,391	100,494
Disposals	-	(12,919)	(5,759)	(185)	-	(18,863)
Transfers	2,447	4,767	4,006	1,835	(16,371)	(3,316)
Effect of movements in exchange rates	4,413	3,532	1,454	423	896	10,718
At 30 June 2007	253,323	196,248	81,034	23,113	54,456	608,174
Depreciation and impairment losses						
At 1 January 2006	(8,147)	(10,235)	(10,262)	(5,393)	-	(34,037)
Depreciation charge	(4,728)	(8,260)	(5,693)	(1,815)	-	(20,496)
Disposals	51	-	684	370	-	1,105
Business disposals	1,627	1,072	3,672	241		6,612
Transfers	(328)	(2,128)	(293)	2,757	-	8
Effect of movements in exchange rates	(588)	(851)	(682)	(305)	-	(2,426)
At 30 June 2006	(12,113)	(20,402)	(12,574)	(4,145)	-	(49,234)
At 1 January 2007	(17,903)	(32,379)	(15,899)	(6,040)	-	(72,221)
Depreciation charge	(4,949)	(13,253)	(5,116)	(606)	-	(23,924)
Disposals	183	2,331	984	227	-	3,725
Transfers	5	15	(6)	25	-	39
Effect of movements in exchange rates	(406)	(758)	(360)	(124)	-	(1,648)
At 30 June 2007	(23,070)	(44,044)	(20,397)	(6,518)	-	(94,029)
Net book value						
At 1 January 2006	109,067	85,640	38,323	30,682	18,455	282,167
At 30 June 2006	127,773	104,949	33,404	13,627	28,703	308,456
At 31 December 2006	174,743	129,565	49,896	13,624	35,540	403,368
At 30 June 2007	230,253	152,204	60,637	16,595	54,456	514,145

Depreciation expense of RUR 529,588 thousand/USD 20,304 thousand has been charged in cost of goods sold, RUR 10,689 thousand/USD 409 thousand in distribution expenses and RUR 20,721 thousand/USD 794 thousand in administrative expense.

(a) Security

Properties with a carrying amount of RUR1,773,447 thousand /USD 68,695thousand are subject to a registered debenture to secure bank loans (2006: RUR2,352,472 thousand /USD 89,346 thousand) (see note 24).

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2007 the net book value of leased plant and machinery was RUR 1,523,460 thousand/USD 59,011 thousand (2006: RUR 1,699,923 thousand/ USD 64,560 thousand). The leased equipment secures the lease obligations.

14 Goodwill

'000 RUR	**Goodwill**
Cost	
Balance at 1 January 2006	22,451
Additions	486,371
Balance at 30 June 2006	508,822
Balance at 1 January 2007	572,669
Balance at 30 June 2007	572,669

'000 USD	**Goodwill**
Cost	
Balance at 1 January 2006	780
Additions	17,571
Effect of movements in exchange rates	439
Balance at 30 June 2006	18,790
Balance at 1 January 2007	21,749
Effect of movements in exchange rates	434
Balance at 30 June 2007	22,183

(a) Impairment testing of goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's entities. These units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity, are as follows:

	Allocated goodwill	
	'000 RUR	**'000 USD**
Zavod Zhelezobetonich Izdeliy-6	254,173	9,655
Aeroc International AS	245,952	9,340
LSR Europe GmbH	50,093	1,902
OAO Construction corporation Revival of Saint-Petersburg (formerly SKV SPb)	22,451	852
	572,669	21,749

No impairment losses were recognised in the period.

The recoverable amount of each entity represents value in use as determined by discounting the future cash flows generated from the continuing use of the entities.

The following key assumptions were used in determining the recoverable amounts of the respective entities:

- Cash flows were projected based on actual operating results and the five-year business plan.
- Total production at the entities for 2006 was approximately 98,643 m3 of reinforced concrete products at Zavod Zhelezobetonich Izdeliy-6, 519,665 m3 of lightweighted concrete blocks at Aeroc International AS, 3,300 m2 of real estate development at LSR Europe GmbH and 42,827 m2 of real estate development at OAO Construction corporation Revival of Saint-Petersburg. The anticipated annual production growth included in the cash flow projections was up to 37% for the years 2007 to 2011.
- Cash flows for a further five years were extrapolated assuming no further growth in production, and revenue and expenses increasing in line with inflation.
- Discount rates from 12.0% to 19.8% were applied in determining the recoverable amount of the entities. The discount rates were estimated based on an industry average weighted average cost of capital, which was based on a possible debt leveraging of 4.0% at market interest rates from 5.8% to 14.0%.

The values assigned to the key assumptions represent management's assessment of future trends in the construction and production of materials industry and are based on both external sources and internal sources.

Although no impairment loss was recognised in respect of goodwill allocated to the entities, the determination of recoverable amount is sensitive to the rate at which the plant achieves its planned growth in production. If actual production were to be below estimated production by 28% for Zavod Zhelezobetonich Izdeliy-6, by 25% for Aeroc International AS, by 51% for LSR Europe GmbH and by 89% for OAO Construction corporation Revival of Saint-Petersburg in 2007 and subsequent years, the value in use would approximate the carrying amount of the entities.

15 Investment property under development

’000 RUR	**2007**	**2006**
Cost/fair value		
At 1 January	496,852	178,040
Change in fair value	3,928,466	-
Transfer from investment property	504,182	-
Transfer from lease incentives	1,139,388	-
Costs capitalised	52,459	91,222
At 30 June	6,121,347	269,262

’000 USD	**2007**	**2006**
Cost/fair value		
At 1 January	18,869	6,186
Change in fair value	150,616	-
Transfer from investment property	19,330	-
Transfer from lease incentives	43,684	-
Costs capitalised	2,011	3,296
Effect of movements in exchange rates	2,603	462
At 30 June	237,113	9,944

Investment property under construction consists of plots of land, wholly or partly owned by the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and buildings. Land is accounted for as investment property. It is measured at fair value with any change therein recognized in profit or loss. Buildings that are being constructed for future use as investment property are accounted for in the same was as property, plant and equipment until construction or development is complete, at which time they are remeasured to fair value and reclassified as investment property along with related land component. Any gain or loss arising on remeasurement is recognized in profit or loss.

The fair value of the land component is based on valuations by independent valuers who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. The valuations are based on a Residual Site Appraisal, undertaken according to the requirements of RICS Appraisal and Valuation Standards ("Red Book").

The annual rental rates used to determine the fair values are within the range $650 to $1,000 per square meter.

One of the plots of land that was acquired with the purchase of 30% of OAO Zavod Electrik (Project Electric City, Medikov, 10) in December 2006 was initially recorded at cost as lease incentives. The final decision on construction of investment property (business centres) on this plot of land was made early 2007 and it has been transferred from lease incentives to investment property under development. At the date of transfer the plot of land was recorded at a fair value with RUR 3,207,763 thousand/USD 122,984 thousand recorded in profit and loss, RUR 1,685,258 thousand/USD 64,612 thousand of which represents increase in fair value since acquisition date in December 2006 and the rest is an effect of change of intentions to use this plot for an investment property in 2007 rather than inventory.

One of the plots of land located on Zoologicheski, 2-4 was initially recorded as investment property. In 2007 it has been transferred from investment property to investment property under development as this classification better reflects the current status of the project.

Investment property under development with a carrying amount of RUR 565,264 thousand /USD 21,896 thousand are subject to a registered debenture to secure bank loans (2006: RUR 504,182 thousand /USD 19,149 thousand) - see note 24.

16 Investment property

’000 RUR	**2007**	**2006**
Fair value		
At 1 January	1,046,666	-
Acquisitions through business combinations	-	1,038,834
Transfer to investment property under development	(504,182)	-
Change in fair value	1,093,881	-
Costs capitalised	123,714	-
At 30 June	1,760,079	1,038,834

’000 USD	**2007**	**2006**
Fair value		
At 1 January	39,750	-
Acquisitions through business combinations	-	37,530
Transfer to investment property under development	(19,330)	-
Change in fair value	41,939	-
Costs capitalised	4,743	
Effect of movements in exchange rates	1,075	833
At 30 June	68,177	38,363

Investment property comprises a number of commercial properties that are leased to third parties.

Independent valuers revalue the Group's investment property portfolio on a regular basis. The used in valuation expected rate to be derived from letting these premises after the construction is completed ranges from $500 to $750 per m2 a year.

17 Other investments

	30 June 2007	31 December 2006	30 June 2007	31 December2006
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	228,477	166,481	8,850	6,322
Originated loans	46,674	160,607	1,808	6,100
	275,151	327,088	10,658	12,422
Current				
Available-for-sale investments:				
Stated at fair value	56,673	47,259	2,196	1,795
Originated loans	916,907	753,180	35,516	28,604
	973,580	800,439	37,712	30,399

Available-for-sale investments stated at cost comprise unquoted equity securities in the construction industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows in this industry. However, management does not believe that the fair value at the end of year would differ materially from the carrying amount.

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

’000 RUR	**Assets**		**Liabilities**	
	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
Property, plant and equipment	(418,028)	(63,093)	1,432,808	1,138,508
Investment property under development	-	-	969,327	(79)
Investment property	-	-	557,120	251,120
Investments	(33,121)	(22,203)	-	-
Inventories	(329,856)	(291,301)	354,612	30,386
Trade and other receivables	(133,929)	(122,914)	6,555	13,008
Loans and borrowings	(282,555)	(237,823)	29,736	553
Provisions	(2,518)	(2,738)	-	-
Trade and other payables	(91,632)	(60,535)	10,466	19,669
Tax loss carry-forwards	(65,469)	(49,985)	-	-
Tax (assets)/liabilities	(1,357,108)	(850,592)	3,360,624	1,453,165
Set off of tax	1,039,764	513,430	(1,039,764)	(513,430)
Net tax (assets)/liabilities	(317,344)	(337,162)	2,320,860	939,735

’000 USD	**Assets**		**Liabilities**	
	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
Property, plant and equipment	(16,192)	(2,396)	55,500	43,238
Investment property under development			37,547	(3)
Investment property	-	-	21,580	9,537
Investments	(1,283)	(843)	-	-
Inventories	(12,777)	(11,063)	13,736	1,154
Trade and other receivables	(5,188)	(4,668)	254	494
Loans and borrowings	(10,945)	(9,033)	1,152	21
Provisions	(98)	(104)	-	-
Trade and other payables	(3,549)	(2,299)	405	747
Tax loss carry-forwards	(2,536)	(1,898)	-	-
Tax (assets)/liabilities	(52,568)	(32,304)	130,174	55,188
Set off of tax	40,276	19,499	(40,276)	(19,499)
Net tax (assets)/liabilities	(12,292)	(12,805)	89,898	35,689

(b) Movement in temporary differences during the period

’000 RUR	**1 January 2007**	**Recognised in income**	**Acquired**	**30 June 2007**
Property, plant and equipment	1,075,415	(330,606)	269,973	1,014,780
Investment property under development	(79)	969,406	-	969,327
Investement property	251,120	306,000	-	557,120
Investments	(22,203)	(10,918)	-	(33,121)
Inventories	(260,915)	285,670	-	24,756
Trade and other receivables	(109,906)	(17,468)	-	(127,374)
Trade and other payables	(40,866)	(40,300)	-	(81,166)
Loans and borrowings	(237,270)	(15,550)	-	(252,819)
Provisions	(2,738)	220	-	(2,518)
Tax loss carry-forwards	(49,985)	(15,484)	-	(65,469)
	602,573	1,130,970	269,973	2,003,516

’000 USD	**1 January 2007**	**Recognised in income**	**Acquired**	**Effect of movements in exchange rate**	**30 June 2007**
Property, plant and equipment	40,842	(12,676)	10,351	792	39,308
Investment property under development	(3)	37,167	-	384	37,547
Investement property	9,537	11,732	-	311	21,580
Investments	(843)	(419)	-	(21)	(1,283)
Inventories	(9,909)	10,952	-	(85)	959
Trade and other receivables	(4,174)	(670)	-	(90)	(4,934)
Trade and other payables	(1,552)	(1,545)	-	(47)	(3,144)
Loans and borrowings	(9,012)	(596)	-	(186)	(9,793)
Provisions	(104)	8	-	(2)	(98)
Tax loss carry-forwards	(1,898)	(594)	-	(44)	(2,536)
	22,884	43,359	10,351	1,012	77,606

During six months ended 30 June 2006 RUR 28,099 thousand/USD 1,015 thousand of the movement in the deferred tax asset and liability was recognised in the income statement.

(c) Unrecognised deferred tax liability

A temporary difference of RUR 9,288,646 thousand/USD 359,799 thousand relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future. If the temporary difference were reversed in a form of distributions remitted to the Company, then an enacted tax rate of 9 per cent would apply. If the temporary difference were reversed in a disposal of the subsidiaries, then a tax rate of 24 per cent would apply.

19 Inventories

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD	’000 USD
Work in progress, construction of buildings	12,681,986	9,623,210	491,240	365,469
Finished goods, construction of buildings	1,358,082	2,482,720	52,606	94,289
Raw materials and consumables	1,126,356	971,205	43,630	36,884
Finished goods and goods for resale	1,092,792	541,644	42,330	20,571
Work in progress	560,720	331,509	21,720	12,590
	16,819,936	13,950,288	651,526	529,803

Inventories with a carrying amount of RUR 939,174 thousand /USD 36,379 thousand are subject to a registered debenture to secure bank loans (2006: RUR 777,855 thousand/USD 29,543 thousand) (see note 24). There were no write-down of inventories during six months ended 30 June 2007 and 30 June 2006.

20 Trade and other receivables

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD	’000 USD
Prepayments for flats	1,469,089	1,432,103	56,906	54,388
Accounts receivable – trade	1,912,449	1,196,759	74,079	45,450
Prepayments	2,800,735	1,899,955	108,488	72,156
Lease incentives	1,284,955	2,404,477	49,773	91,317
VAT receivable	344,159	349,778	13,331	13,284
Deferred expenses	215,143	172,015	8,334	6,533
Notes receivable	283,161	325,630	10,968	12,367
Amounts due from customers for contract work	1,075	89,791	42	3,410
Employee receivables	70,196	69,269	2,719	2,631
Finance lease receivable	345,520	204,392	13,384	7,762
Other receivables	977,578	838,558	37,867	31,847
	9,704,060	8,982,727	375,891	341,145
Accumulated impairment loss on trade receivables	(173,938)	(146,187)	(6,738)	(5,552)

	9,530,122	8,836,540	369,153	335,593

21 Cash and cash equivalents

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD	’000 USD
Petty cash	85,948	19,659	3,329	747
Bank balances	859,105	1,587,580	33,278	60,293
Bank promissory notes	-	983	-	37
Cash and cash equivalents in the balance sheet	945,053	1,608,222	36,607	61,077
Bank overdrafts	(32,710)	(25,944)	(1,267)	(985)
Cash and cash equivalents in the statement of cash flows	912,343	1,582,278	35,340	60,092

22 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares
	2007
Authorised shares	
Par value	RUR 0.25
On issue at beginning of year	-
Converted into ordinary shares	85,148,936
On issue at end of year, fully paid	85,148,936

Before July 2006, the Company’s legal form was a limited liability company. According to Article 26 of Federal Law of Russian Federation on limited companies, a shareholder in a limited liability company may unilaterally withdraw from the company. In such circumstances, the company is obliged to pay the withdrawing shareholder its share of the net assets of the company in cash or, subject to the consent of the shareholder, by an in-kind transfer of assets. The payment should be made no later than six months after the end of the year of the withdrawal.

Accordingly, the share capital of the Company and retained earning were grouped together and shown as net assets attributable to shareholders, which were liabilities of the Company. In July 2006 the Company changed its legal form from limited liability company to open joint stock company as defined in the Civil Code of the Russian Federation. The Company’s share capital was converted into 85,148,936 ordinary shares with a nominal value 0.25 roubles each. The nominal value of registered share capital equalled RUR 21,287 thousand.

As a result the share capital, retained earnings and additional paid-in capital were reclassified into equity and such reclassification has been accounted for retrospectively.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2007 the Company had retained earnings, including profit for the current year, of RUR 430,639 thousand/ USD 16,681 thousand (2006: RUR 85,763 / USD 3,257 thousand).

23 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the number of ordinary shares issued in July 2006 (85,148,936 shares) when the Company re-registered as an OAO company (see note 22(a)).

24 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	'000 RUR	'000 RUR	'000 USD	'000 USD
Non-current				
Secured bank loans	4,441,534	4,314,320	172,044	163,848
Unsecured other loans	4,492,710	1,628,146	174,027	61,834
Unsecured bond issues	2,277,720	2,000,000	88,228	75,956
Finance lease liabilities	874,533	778,749	33,875	29,575
	12,086,497	8,721,215	468,174	331,213
Current				
Secured bank loans	451,289	736,330	17,481	27,964
Current portion of secured bank loans	312,801	199,099	12,116	7,561
Current portion of unsecured other loans	-	-	-	-
Unsecured other loans	3,576,735	3,500,936	138,546	132,959
Unsecured bond issue	758,044	836,638	29,363	31,774
Current portion of finance lease liabilities	577,748	457,718	22,379	17,383

5,676,617	5,730,721	219,885	217,641

Finance lease liabilities are payable as follows:

	30 June 2007 – ’000 RUR			**31 December 2006 – ’000 RUR**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	723,658	(145,910)	577,748	586,159	128,441	457,718
Between one and five years	962,012	(87,479)	874,533	913,388	134,639	778,749
	1,685,670	(233,389)	1,452,281	1,499,547	263,080	1,236,467

	30 June 2007 – ’000 USD			**31 December 2006 – ’000 USD**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	28,031	(5,652)	22,379	22,261	4,878	17,383
Between one and five years	37,263	(3,388)	33,875	34,688	5,113	29,575
	65,294	(9,040)	56,254	56,949	9,991	46,958

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 1,773,447 thousand / USD 68,695 thousand (2006: RUR 2,352,472 thousand/USD 89,346 thousand). – see note 13(a).
- Investment property under development with a carrying amount of RUR 565,264 thousand /USD 21,896 thousand are subject to a registered debenture to secure bank loans (2006: RUR 504,182 thousand /USD 19,149 thousand) – see note 15
- Inventories with a carrying amount of RUR939,174 thousand /USD36,379 thousand (2006: RUR 777,855 thousand /USD 29,543 thousand) – see note 19.

The finance lease liabilities are secured by the leased assets (see note 13(b)).

Bank loans are secured by the pledge of shares in the following subsidiary companies:

- 100% of OAO Leningrad River Port;
- 90.16% of OAO Granit-Kuznechnoe;
- 89.89% of OAO GATP-1;
- 89.92 % of OAO MTO Arkhproekt;
- 26% of OOO Osobnyak;
- 100% of Aeroc AS;
- 100% of SIA Aeroc Poribet.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Average interest rate			30 June 2007	31 December 2006
'000 RUR	**Contractual**	**Effective**	**Year of maturity**	**Carrying amount**	**Carrying amount**
Secured bank loans:					
RUR	9.14%-12.05%	10.28%	2007-2011	1,460,000	1,465,968
USD	9.38%-11.00%	9.58%	2009-2011	881,209	789,932
USD	Libor +3.9%-Libor+4.1%	9.28%	2009-2011	1,252,331	842,596
EUR	6.00%-8.80%	8.76%	2007-2014	312,350	1,329,850
EUR	Eonia+2%, Euribor +0,99%, Euribor+4.5%	5.86%	2007-2014	986,933	617,869
EEK	3.80%-6.00%	4.90%		-	4,435
Current portion of secured bank loans:					
EUR	Eurolibor+0.99%-Eurolibor+4.5%	5.52%	2007-2008	48,073	176,088
EUR	6.00%-8.8%	8.8%	2007-2008	191,874	-
RUR	10.00%-10.25%	10.13%	2007-2008	72,854	23,011
Unsecured other loans:					
RUR	Mostrime+3%	7.06%	2008	340,000	-
RUR	8.50-.12.00%	9.44%	2007-2015	7,729,445	3,436,406
USD				-	871,923
EUR	Libor+1.5%-Libor+7.5%	10.33%		-	820,753
Unsecured bond issues:					
RUR	10.7%-14.0%	10.51%	2008-2009	2,758,044	2,836,638
EUR	Euribor +0.99%-Euribor+4.5%	8.82%	2009	277,720	-
Finance lease liabilities – RUR	11%-29%	14.8%		1,452,281	1,236,467
				17,763,114	14,451,936

	Average interest rate			30 June 2007	31 December 2006
'000 USD	**Contractual**	**Effective**	**Year of maturity**	**Carrying amount**	**Carrying amount**
Secured bank loans:					
RUR	9.14%-12.05%	10.28%	2007-2011	56,553	55,674
USD	9.38%-11.00%	9.58%	2009-2011	34,134	30,000
USD	Libor +3.9%-Libor+4.1%	9.28%	2009-2011	48,510	32,000
EUR	6.00%-8.80%	8.76%	2007-2014	12,099	50,504
EUR	Eonia+2%, Euribor +0,99%, Euribor+4.5%	5.86%	2007-2014	38,229	23,466
EEK	3.80%-6.00%	4.90%		-	168
Current portion of secured bank loans:					
EUR	Eurolibor+0.99%-Eurolibor+4.5%	5.52%	2007-2008	1,862	6,688
EUR	6.00%-8.8%	8.8%	2007-2008	7,432	-
RUR	10.00%-10.25%	10.13%	2007-2008	2,822	873
Unsecured other loans:					
RUR	Mostrime+3%	7.06%	2008	13,170	-
RUR	8.50-.12.00%	9.44%	2007-2015	299,403	130,508
USD				-	33,115
EUR	Libor+1.5%-Libor+7.5%	10.33%		-	31,170
Unsecured bond issues:					
RUR	10.7%-14.0%	10.51%	2008-2009	106,833	107,730
EUR	Euribor +0.99%-Euribor+4.5%	8.82%	2009	10,758	-
Finance lease liabilities – RUR	11%-29%	14.8%		56,254	46,958
				688,059	548,854

25 Provisions

'000 RUR	**Site restoration**	**Environment restoration**	**Total**
Balance at 1 January 2007	185,329	27,711	213,040
Provisions made during the period	232,668	-	232,668
Provisions used during the period	(185,329)	(17,189)	(202,518)
Balance at 30 June 2007	232,668	10,522	243,190

'000 USD	**Site restoration**	**Environment restoration**	**Total**
Balance at 1 January 2007	7,039	1,052	8,091
Provisions made during the period	8,920	-	8,920
Provisions used during the period	(7,105)	(659)	(7,764)
Effect of movements in exchange rates	158	15	173
Balance at 30 June 2007	9,012	408	9,420

(a) Site restoration

The Group recognises provisions in respect of the Group's obligation to clean up the surrounding area after construction of apartment buildings. Any damage caused during construction is rectified after the construction of buildings is completed.

(b) Environment restoration

The Group recognises provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in forested areas. The damage caused during quarrying is cleaned up after quarrying is completed.

26 Trade and other payables

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD	’000 USD
Prepayments received for flats	12,245,439	13,518,896	474,331	513,420
Accounts payable – trade	3,041,631	1,690,383	117,819	64,197
Advances from customers	1,648,855	1,113,356	63,869	42,283
Notes payable	149,406	316,780	5,787	12,031
Employee-related liabilities	416,229	275,196	16,123	10,451
Other taxes payable	450,683	306,763	17,457	11,650
Minority interest in limited liability subsidiaries	143,107	90,095	5,543	3,422
Accounts due to customers for contract work	159,208	175,344	6,167	6,659
Interest payable	58,326	60,740	2,259	2,307
Deferred income	98,247	3,373	3,806	128
Dividends payable	93	93	4	4
Other payables	320,004	297,352	12,396	11,292
	18,731,228	17,848,371	725,561	677,844

27 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group’s business. The Group does not hedge its exposure for such risk.

(a) Credit risk

The Group does not require collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

At the balance sheet date there were no significant consentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(c) Foreign currency risk

The Group incurs foreign currency risk on borrowings that are denominated in a currency other than RUR. The currencies giving rise to this risk are primarily USD and Euro.

The following exchange rates applied:

	USD	**Euro**	**USD**	**Euro**
	30 June 2007	**30 June 2007**	**31 December 2006**	**31 December 2006**
RUR 1 equals	25.8162	34.7150	26.3311	34.6965

(d) Fair values

The fair value of unquoted equity investments is discussed in note 17. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts:

In assessing fair values, management used the following major methods and assumptions:

(i) ***Quoted securities.*** Quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) ***Loans and borrowings***. Expected future principal and interest cash flows were discounted at rates that approximated contractual rates.

(iii) ***Promissory notes***. Expected future principal and interest cash flows were discounted at rates that approximated contractual rates.

(iv) ***Trade and other receivables and payables***. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of the time value of money is not material.

28 Commitments

At 30 June 2007, the Group was committed to purchase property, plant and equipment for approximately RUR 1,689,816 thousand / USD 65,456 thousand (31 December 2006: RUR 325,541 thousand /USD 12,363 thousand)

29 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

As at 31 December 2005 the Group was involved in a dispute relating to a promissory note of an insolvent third party which was endorsed by the Group in 2003. The holder of the promissory note successfully sued the Group on the endorsement. The Group recognised a provision for the amount of the claim of RUR 37,222 thousand/USD 1,080 thousand. During 2006, the Group sold its controlling stake in this company and derecognised the provision accordingly.

Other litigation includes a number of small claims relating to purchases from domestic customers. Based on experience in resolving such claims, management believes that they will be settled without significant cost to the Group. Accordingly, no provision has been made in these consolidated interim financial statements for such amounts.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in forested areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete but a liability arises in relation to quarrying sand. Before June 2006 the Group rented land from which sand is quarried from a related party which is liable for the restoration work. The related party that rented land to the Group was acquired by the Group in June 2006. As at the date of purchase by the Group, the site restoration provision recognised by the acquired company amounted to RUR 23,683 thousand/USD 823 thousand.

The Group is engaged in crushed stone production in three areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for potential restoration costs. It is expected that quarrying will cease in the three areas currently used between 2051 and 2157.

30 Related party transactions

(a) Control relationships

The Company's ultimate controlling party is Mr. Andrey Molchanov.

(b) Transactions with management and close family members

The Directors and their close family members control 15.8% of the voting shares of the Company.

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (see note 10):

	Six months ended 30 June			
	2007	**2006**	**2007**	**2006**
	'000 RUR	**'000 RUR**	**'000 USD**	**'000 USD**
Salaries and bonuses	143,439	99,755	5,499	3,603

(ii) Other transactions

There were no loans to executive directors as at 30 June 2007 (31 December 2006: RUR 4,876 thousand /USD 185 thousand). No interest is payable on these loans.

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2007	**30 June 2006**	**30 June 2007**	**31 December 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**31 December 2006**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Sale of goods and services provided:								
Companies significantly influenced by LSR management	199,360	157,277	159,793	2,168	7,643	5,682	6,190	82
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	87	115,157	379,423	21,806	3	4,160	14,697	828
	199,447	272,434	539,216	23,974	7,646	9,842	20,887	910

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(ii) Expenses

	Transaction value six months ended		**Outstanding balance**		**Transaction value six months ended**		**Outstanding balance**	
	30 June 2007	**30 June 2006**	**30 June 2007**	**31 December 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**31 December 2006**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services:								
Companies significantly influenced by LSR management	184,910	86,199	144,463	7,136	7,089	3,114	5,596	271
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	8,023	694,303	2,735	66,256	308	25,083	106	2,516
	192,933	780,502	147,198	73,392	7,397	28,197	5,702	2,787

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(iii) Loans

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2007	**30 June 2006**	**30 June 2007**	**31 December 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**31 December 2006**
	’000 RUR	**’000 RUR**	**’000 RUR**	**’000 RUR**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	(232,809)	(297,272)	(192,207)	(320,462)	(8,926)	(10,740)	(7,445)	(12,170)
Companies significantly influenced by LSR management	(11,800)	(275,851)	(45,261)	(176,922)	(452)	(9,966)	(1,753)	(6,719)
Loans given:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	232,744	371,028	395,075	158,115	8,923	13,404	15,303	6,005
Companies significantly influenced by LSR management	182,258	565,661	249,101	-	6,988	20,436	9,649	-
	170,393	363,566	406,708	(339,269)	6,533	13,134	15,754	(12,884)

The loans from fellow subsidiaries bear no interest and are repayable based on contractual terms.

The loans to fellow subsidiaries and entities under significant influence bear no interest and are repayable based on contractual terms. Loans given and received have not been discounted in view of their short maturity.

31 Significant subsidiaries

	Country of incorporation	Ownership/voting 30 June 2007	Ownership/voting 31 December 2006
ZAO Gatchinsky DSK	Russia	98.23%	98.23%
OAO Construction corporation Revival of Saint-Petersburg (formerly OAO SKV SPb)	Russia	95.53%	95,53%
OOO Gorodskoi DSK (formerly OOO Gatchinsky DSK)	Russia	100.00%	100.00%
OAO Lenstroirekonstruktsiya	Russia	99.99%	99.99%
OAO Granit-Kuznechnoye	Russia	90.16%	95.09%
OAO Rudas	Russia	99.90%	86.55%
OAO Leningrad River Port	Russia	100.00%	100.00%
ZAO Skanex (formerly ZAO Skanmix SPb)	Russia	100.00%	100.00%
ZAO Vertikal	Russia	100.00%	100.00%
OAO PO Barrikada (formerly ZAO PO Barrkkada)	Russia	90.70%	95.35%
ZAO DSK Blok	Russia	100.00%	100.00%
OAO UM-260 (formerly ZAO UM-260)	Russia	87.10%	97.11%
OAO St. Petersburg River Port	Russia	100.00%	100.00%
OAO Obyedineniye 45	Russia	97.10%	93.83%
ZAO Mosstroyrekonstruktsia	Russia	100.00%	100.00%
OAO GATP-1	Russia	89,89%	74.62%
OAO Pobeda LSR (formerly ZAO Pobeda LSR)	Russia	99.87%	99.87%
OOO Aerok SPb	Russia	100.00%	100.00%
OOO Osobnyak	Russia	100.00%	100.00%
OOO Kvartira LuxServis	Russia	100.00%	100.00%
ZAO Stroitrest 28	Russia	79.17%	89.63%
OOO Stroitrest 28	Russia	50.00%	50.00%
OOO TD Granit-Kuznechnoye	Russia	100.00%	100.00%
ZAO Paradny kvartal (Naberezhnaya Evropy)	Russia	100.00%	100.00%

OOO Nevsky portal	Russia	100.00%	100.00%
OOO Novy kvartal	Russia	100.00%	100.00%
OOO Nisk	Russia	-	74.00%
OOO LSK-ecologiya	Russia	-	50.00%
OOO Promichlenno Stroitelnaya Gruppa LSR	Russia	100.00%	100.00%
ZAO Promyshlenny leasing (formerly OOO Promyshlenny leasing)	Russia	100.00%	100.00%
OOO Martynovka	Russia	100.00%	100.00%
ZAO Chekalovskoye	Russia	-	100%
OAO NKSM	Russia	96.9%	96.9%
ZAO Vyborgstroyrekonsruktsiya	Russia	80.00%	80%
OOO Yuna	Russia	100.00%	100%-
DNP Alakul*	Russia	-	-
DNP Penaty 2*	Russia	-	-
DNP Severnoye pomestye*	Russia	-	-
GDSK Invest companies*	Russia	-	-
MSR companies*	Russia	24.00%	24.00%
OAO Zavod Zhelezobetonnich Izdeliy-6	Russia	57.70%	57.7%
ZAO Galernaya (formerly OOO Galernaya)	Russia	-	100%-
OOO GDSK Yugo-Zapad (formerly OOO GDSK-invest-35	Russia	100.00%	100%
OOO GDSK-invest Primorsky (formerly OOO GDSK-invest-49)	Russia	100.00%	100%
OOO Zarechye	Russia	100.00%	100%
OOO LSSMO Promstroymontazh	Russia	100.00%	100%
OOO Smolny kvartal	Russia	100.00%	100%
ZAO Severnaya Venecia	Russia	100.00%	100%
ZAO Vsevolozhskoye SMP	Russia	100.00%	100%
OOO Yakornaya	Russia	100.00%	100%
OOO BaltStroyKomplekt	Russia	100.00%	100%
Aeroc International AS	Estonia	90.00%	90%

Aeroc SIA	Latvia	100%	100%
Aeroc AS	Estonia	100%	100%
Aeroc Ukrain	Ukraine	100%	100%
Obyedineniye 45M	Russia	100.00%	100%
ZAO Petrobeton	Russia	90.00%	90.00%
Aeroc UAB	Lithuania	100.00%	100.00%
SKV-invests*	Russia	-	-
OOO LSR-invest	Russia	100.00%	100%
ZAO Chifko Plus	Russia	100.00%	100%
LSR Europe GmbH	Germany	100.00%	100%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70%	70%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70%	70%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.8%	94.8%
ZAO A Plus Estate	Russia	100.00%	100%
ZAO Ingeokom	Russia	100.00%	100%
ZAO Electron	Russia	100.00%	100%
ZAO Stroitel	Russia	100.00%	100%
OAO Stroicorporatciya	Russia	84.44%	84,44%
ZAO Petropolis	Russia	-	100%
ZAO Baltiyskaya panorama	Russia	-	100%
OOO Gidrotehnik	Russia	100.00%	100%
ZAO Zolotaya Kazanskaya (formerly OOO Zolotaya Kazanskaya)	Russia	100.00%	-
OAO MTO Arhproekt	Russia	89.92%	89.92%
OOO LSR Ukraina	Ukraine	100.00%	100%
OAO Berezanskoye proektno-promishlennoe domostroitelnoye objedinenie	Ukraine	99.99%	99.99%
ZAO Gvardeiskoe	Russia	-	100%
ZAO Parnas	Russia	-	100%

OOO Velikan XXI	Russia	100.00%	100%
OAO Zavod Elektrik*	Russia	29,99%	29,99%
ZAO Kikerino Elektrik*	Russia	100%	100%
ZAO Zavod Stroifarfor*	Russia	20.02%	19.97%
OOO BSK Invest*	Russia	20.00%	20%

* These subsidiaries are special purpose entities (see policy 3(a)(ii)) in which the Group has no direct controlling ownership or direct controlling voting interest.

32 Events subsequent to the balance sheet date

Subsequent to 30 June 2007 the Group has entered into agreements to acquire the following equities and options over equities for the planned consideration as follows:

- On 4 September 2007 the Group entered into an agreement to acquire 100% of the equity of OOO Investicionnaya Stroitelnaya Companiya Argus (Project Tsvetnoy Gorod, Ruch'i) from an unrelated party for RUR 3,278,657 thousand / USD 127,000 thousand. The consideration is to be paid in cash before 10 November 2007. Control passed to the Group on 27 September 2007.
- On 6 September 2007 the Group entered into an agreement to acquire 100% of the equity in ZAO Oblstroi (Project Tsvetnoy Gorod, Ruch'i) from an unrelated party for RUR 1,648,962 thousand / USD 63,873 thousand. The consideration was paid in cash in full. Control passed to the Group on 17 September 2007.
- On 22 August 2007 the Group entered into an agreement to acquire 27%, of the equity of NPO Keramika (Project Sophia, Uzhnoe shosse, 55) for RUR 250,000 thousand / USD 9,684 thousand from a related party. The consideration was paid in cash in full. Control passed to the Group on 19 September 2007.
- On 14 September 2007 the Group entered into an agreement to acquire an option to purchase a further 13%, of the equity of NPO Keramika (Project Sophia, Uzhnoe shosse, 55) for RUR 200,000 thousand / USD 7,747 thousand from a related party. The option expires on 13 September 2008. The consideration is to be paid either in cash or in kind. Control passed to the Group on 1 October 2007.
- On 22 August 2007 the Group entered into an agreement to acquire 24%, of the equity of NPO Keramika (Project Sophia, Uzhnoe shosse, 55) for RUR 200,000 thousand / USD 7,747 thousand from a related party. The consideration is to be paid either in cash or in kind, RUR 60,000 thousand/USD 2,324 thousand before 27 August 2007 and RUR 140,000 thousand/USD 5,423 thousand by monthly installments. By 27 September 2007 the amount of RUR 63,500 / USD2,460 thousand was paid in cash. Control passed to the Group on 19 September 2007.
- On 22 August 2007 the Group entered into an agreement to acquire 24%, of the equity of NPO Keramika (Project Sophia, Uzhnoe shosse, 55) for RUR 200,000 thousand / USD

7,747 thousand from a related party. The consideration was paid in cash in full. Control passed to the Group on 19 September 2007.

- On 19 July 2007 the Group entered into an agreement to acquire 43%, of the equity of ZAO Zavod Stroifarfor (Project Sophia, Uzhnoe shosse, 49) for RUR 200,000 thousand / USD 7,747 thousand from a related party. The Group already holds 20% of the equity of ZAO Zavod Stroifarfor. The consideration for the share purchase is to be paid either in cash or in kind before 31 December 2007. Part of the consideration, amounting to RUR 28,000 thousand / USD 1,085 thousand was paid by 20 September. Control passed to the Group on 19 September 2007.
- On 28 August 2007 the Group entered into an agreement to acquire an option to purchase a further 33%, of the equity of ZAO Zavod Stroifarfor (Project Sophia, Uzhnoe shosse, 49) for RUR 250,000 thousand / USD 9,684 thousand from a related party. The consideration is to be paid either in cash or in kind, within 1 year from 28 August 2007. Control passed to the Group on 1 October 2007.
- On 28 September 2007 the Group entered into an agreement to acquire 67% of the equity of OAO Zavod Electrik (Project Electric City, Medikov, 10) for RUR 117,997 thousand / USD 4,570 thousand from a related party. The Group already holds 30% of the equity of OAO Zavod Electrik. The consideration is to be settled before 31 December 2007. Part of the consideration, amounting to RUR 96,788 / USD 3,749 thousand was settled by promissory notes by 28 September 2007. Control passed to the Group on 28 September 2007.

The above entities own land that the Group will use for construction of residential and commercial property.

On 3 September 2007 the Group acquired 100% of the equity in OOO Cement for RUR 607,512 thousand / USD 23,532 thousand settled in cash at the date of sign off of agreement.

On 3 September 2007 the Group paid at an auction RUR 1,288,538 thousand / USD 49,911 thousand in cash to acquire the right to conclude a lease agreement for a plot of land that the Group plans to use for construction of residential properties (Project Yugnaya Aquatoria, Doblesti Street).

33 Supplementary disclosures

For the six months ended 30 June 2007 ('000 RUR)	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	*Eliminations*	**Building Materials**	**Construction**
Revenue from external customers	1 010 587	2 029 839	1 763 299	770 187	895 214	0	6 469 126	1 871 113
Inter-group revenue	51 110	224 181	123 946	16 611	406 628	-499 962	322 514	492 211
Total revenue	**1 061 697**	**2 254 020**	**1 887 245**	**786 798**	**1 301 842**	**-499 962**	**6 791 640**	**2 363 324**
Operating profit	**255 709**	**443 481**	**117 160**	**189 994**	**131 058**	**-584**	**1 136 818**	**-49 990**
Depreciation/Amortization	26 212	63 349	72 795	53 685	5 165	0	221 206	89 322
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA*	**281 921**	**506 830**	**189 955**	**243 679**	**136 223**	**-584**	**1 358 024**	**39 332**

For the six months ended 30 June 2007	Sand	Crushed Granite	*Eliminations*	**Aggregates**	Tower Cranes	Transportation	*Eliminations*	**Construction Servises**
Revenue from external customers	1 080 363	728 690	0	**1 809 053**	357 861	75 824	0	433 685
Inter-group revenue	104 452	333 868	-7 835	**430 485**	51 768	171 383	0	223 151
Total revenue	**1 184 815**	**1 062 558**	**-7 835**	**2 239 538**	**409 629**	**247 207**	**0**	**656 836**
Operating profit	**414 271**	**193 502**	**-11 366**	**596 407**	**128 733**	**-3 048**	**0**	**125 685**
Depreciation/Amortization	121 588	59 759	0	**181 347**	50 481	34 694	0	85 175
Fair value adjustment of investment property	0	0	0	**0**	0	0	0	0
EBITDA*	**535 859**	**253 261**	**-11 366**	**777 754**	**179 214**	**31 646**	**0**	**210 860**

For the six months ended 30 June 2007	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	*Eliminations*	**Development**	**Commercial Real Estate**
Revenue from external customers	1 581 109	2 230 357	9 714	1 506 886	116 365	0	5 444 431	24 676
Inter-group revenue	322 579	11 222	1 800	331	0	-16 798	319 134	0
Total revenue	**1 903 688**	**2 241 579**	**11 514**	**1 507 217**	**116 365**	**-16 798**	**5 763 565**	**24 676**
Operating profit	**4 368 679**	**346 593**	**6 464**	**351 119**	**-11 560**	**-34 312**	**5 026 983**	**1 104 932**
Depreciation/Amortization	7 487	9 034	148	2 340	69	0	19 078	1 518
Fair value adjustment of investment property	3 928 466	0	0	0	0	0	3 928 466	1 093 881
EBITDA*	**447 700**	**355 627**	**6 612**	**353 459**	**-11 491**	**-34 312**	**1 117 595**	**12 569**

For the six months ended 30 June 2007	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	9 947			16 062 031
Inter-group revenue	0	-1 787 495		0
Total revenue	**9 947**	**-1 787 495**		**16 062 031**
Operating profit	**36 350**	**165 242**	**-286 994**	**7 855 437**
Depreciation/Amortization	26 502	0		624 148
Fair value adjustment of investment property	0	0		5 022 347
EBITDA*	**62 852**	**165 242**	**-286 994**	**3 457 238**

**** EBITDA= Operating Result + Depreciation/amortisation - Fair value adjustment of Investment Property***

For the six months ended 30 June 2006 ('000 RUR)	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	*Eliminations*	**Building Materials**	**Construction**
Revenue from external customers	758 396	1 210 170	955 396	513 244	128 681	0	3 565 887	1 784 229
Inter-group revenue	2 490	92 849	490 909	531	439 401	-842 534	183 646	102 168
Total revenue	**760 886**	**1 303 019**	**1 446 305**	**513 775**	**568 082**	**-842 534**	**3 749 533**	**1 886 397**
Operating profit	**127 464**	**-23 290**	**40 205**	**67 304**	**9 259**	**-1 803**	**219 139**	**186 083**
Depreciation/Amortization	39 488	53 000	26 619	40 573	3 567	0	163 247	76 242
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA*	**166 952**	**29 710**	**66 824**	**107 878**	**12 826**	**-1 803**	**382 386**	**262 325**

For the six months ended 30 June 2006	Sand	Crushed Granite	*Eliminations*	**Agregates**	Tower Cranes	Transportation	*Eliminations*	**Construction Servises**
Revenue from external customers	849 205	482 601	0	**1 331 806**	244 923	110 498	0	355 421
Inter-group revenue	98 191	298 404	-13 550	**383 045**	42 155	116 377	0	158 532
Total revenue	**947 396**	**781 005**	**-13 550**	**1 714 851**	**287 078**	**226 875**	**0**	**513 953**
Operating profit	**64 165**	**123 198**	**13 387**	**200 750**	**107 031**	**32 674**	**0**	**139 705**
Depreciation/Amortization	131 975	50 161	0	**182 136**	35 092	20 800	0	**55 892**
Fair value adjustment of investment property	0	0	0	**0**	0	0	0	0
EBITDA*	**196 140**	**173 359**	**13 387**	**382 886**	**142 123**	**53 474**	**0**	**195 597**

For the six months ended 30 June 2006	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	*Eliminations*	**Development**	**Commercial Real Estate**
Revenue from external customers	1 364 169	866 575	210	331	0	0	2 231 285	0
Inter-group revenue	13 836	10 260	1 800	0	0	-9 488	16 408	0
Total revenue	**1 378 005**	**876 835**	**2 010**	**331**	**0**	**-9 488**	**2 247 693**	**0**
Operating profit	**258 997**	**91 314**	**-5 152**	**-29 981**	**0**	**2 744**	**317 922**	**0**
Depreciation/Amortization	3 834	511	46	642	0	0	5 033	0
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA*	**262 831**	**91 825**	**-5 106**	**-29 339**	**0**	**2 744**	**322 955**	**0**

For the six months ended 30 June 2006	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	67 822			9 336 450
Inter-group revenue	102 319	-946 118		0
Total revenue	**170 141**	**-946 118**		**9 336 450**
Operating profit	**41 677**	**162 692**	**-233 773**	**1 034 195**
Depreciation/Amortization	82 194			564 744
Fair value adjustment of investment property	0	0		0
EBITDA*	**123 871**	**162 692**	**-233 773**	**1 598 939**

***** EBITDA= Operating Result + Depreciation/amortisation - Fair value adjustment of Investment Property***

For the six months ended 30 June 2007 ('000 USD)	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	*Eliminations*	**Building Materials**	**Construction**
Revenue from external customers	38 745	77 823	67 604	29 529	34 322	0	248 023	71 738
Inter-group revenue	1 960	8 595	4 752	637	15 590	-19 168	12 365	18 871
Total revenue	**40 705**	**86 418**	**72 356**	**30 166**	**49 912**	**-19 168**	**260 389**	**90 609**
Operating profit	**9 804**	**17 003**	**4 492**	**7 284**	**5 025**	**-22**	**43 585**	**-1 917**
Depreciation/Amortization	1 005	2 429	2 791	2 058	198	0	8 481	3 425
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA	**10 809**	**19 432**	**7 283**	**9 342**	**5 223**	**-22**	**52 066**	**1 508**

For the six months ended 30 June 2007	Sand	Crushed Granite	*Eliminations*	**Aggregates**	Tower Cranes	Transportation	*Eliminations*	**Construction Servises**
Revenue from external customers	41 421	27 938	0	**69 359**	13 720	2 907	0	16 627
Inter-group revenue	4 005	12 800	-300	**16 505**	1 985	6 571	0	8 556
Total revenue	**45 426**	**40 738**	**-300**	**85 863**	**15 705**	**9 478**	**0**	**25 183**
Operating profit	**15 883**	**7 419**	**-436**	**22 866**	**4 936**	**-117**	**0**	**4 819**
Depreciation/Amortization	4 662	2 291	0	**6 953**	1 935	1 330	0	3 265
Fair value adjustment of investment property	0	0	0	**0**	0	0	0	0
EBITDA	**20 545**	**9 710**	**-436**	**29 819**	**6 871**	**1 213**	**0**	**8 084**

For the six months ended 30 June 2007	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	*Eliminations*	**Development**	**Commercial Real Estate**
Revenue from external customers	60 619	85 511	372	57 773	4 461	0	208 737	946
Inter-group revenue	12 368	430	69	13	0	-644	12 236	0
Total revenue	**72 987**	**85 941**	**441**	**57 786**	**4 461**	**-644**	**220 972**	**946**
Operating profit	**167 493**	**13 288**	**248**	**13 462**	**-443**	**-1 316**	**192 732**	**42 363**
Depreciation/Amortization	287	346	6	90	3	0	732	58
Fair value adjustment of investment property	150 616	0	0	0	0	0	150 616	41 939
EBITDA	**17 164**	**13 634**	**254**	**13 552**	**-441**	**-1 316**	**42 846**	**482**

For the six months ended 30 June 2007	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	381			615 812
Inter-group revenue	0	-68 532		0
Total revenue	**381**	**-68 532**		**615 812**
Operating profit	**1 394**	**6 335**	**-11 003**	**301 175**
Depreciation/Amortization	1 016	0	0	23 930
Fair value adjustment of investment property	0	0	0	192 555
EBITDA	**2 410**	**6 335**	**-11 003**	**132 550**

**** EBITDA= Operating Result + Depreciation/amortisation – Fair value adjustment of Investment Property***

For the six months ended 30 June 2006 ('000 USD)	Brick	Reinforced Concrete	Ready-mix Concrete	Aerated Concrete	Other	*Eliminations*	**Building Materials**	**Construction**
Revenue from external customers	27 399	43 720	34 516	18 542	4 649	0	128 826	64 459
Inter-group revenue	90	3 354	17 735	19	15 874	-30 438	6 634	3 691
Total revenue	**27 489**	**47 075**	**52 251**	**18 561**	**20 523**	**-30 438**	**135 461**	**68 150**
Operating profit	**4 605**	**-841**	**1 452**	**2 432**	**335**	**-65**	**7 918**	**6 723**
Depreciation/Amortization	1 427	1 915	962	1 466	129	0	5 899	2 754
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA	**6 032**	**1 074**	**2 414**	**3 898**	**464**	**-65**	**13 814**	**9 477**

For the six months ended 30 June 2006	Sand	Crushed Granite	*Eliminations*	**Agregates**	Tower Cranes	Transportation	*Eliminations*	**Construction Servises**
Revenue from external customers	30 679	17 435	0	**48 114**	8 848	3 992	0	12 840
Inter-group revenue	3 547	10 781	-490	**13 838**	1 523	4 204	0	5 727
Total revenue	**34 226**	**28 216**	**-490**	**61 953**	**10 371**	**8 196**	**0**	**18 567**
Operating profit	**2 318**	**4 451**	**484**	**7 253**	**3 867**	**1 180**	**0**	**5 047**
Depreciation/Amortization	4 768	1 812	0	**6 580**	1 268	751	0	**2 019**
Fair value adjustment of investment property	0	0	0	**0**	0	0	0	0
EBITDA	**7 086**	**6 263**	**484**	**13 833**	**5 135**	**1 931**	**0**	**7 066**

For the six months ended 30 June 2006	Elite Real Estate	Business Class and Mass Market Real Estate	Gated Communities	Real Estate in Moscow	Real Estate in Western Europe	*Eliminations*	**Development**	**Commercial Real Estate**
Revenue from external customers	49 284	31 307	8	12	0	0	80 611	0
Inter-group revenue	500	371	65	0	0	-343	593	0
Total revenue	**49 784**	**31 678**	**73**	**12**	**0**	**-343**	**81 204**	**0**
Operating profit	**9 357**	**3 299**	**-186**	**-1 083**	**0**	**99**	**11 486**	**0**
Depreciation/Amortization	139	18	2	23	0	0	182	0
Fair value adjustment of investment property	0	0	0	0	0	0	0	0
EBITDA	**9 496**	**3 317**	**-184**	**-1 060**	**0**	**99**	**11 668**	**0**

For the six months ended 30 June 2006	**Other entities**	*Eliminations*	Unallocated Expenses	**Consolidated**
Revenue from external customers	2 450			337 300
Inter-group revenue	3 697	-34 181		0
Total revenue	**6 147**	**-34 181**		**337 300**
Operating profit	**1 506**	**5 878**	**-8 446**	**37 363**
Depreciation/Amortization	2 969	0		20 403
Fair value adjustment of investment property	0	0		0
EBITDA	**4 475**	**5 878**	**-8 446**	**57 765**

**** EBITDA= Operating Result + Depreciation/amortisation - Fair value adjustment of Investment Property***