OJSC LSR Group

Consolidated Financial Statements for the year ended 31 December 2010

Contents

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Independent Auditors' Report

Board of Directors

OJSC LSR Group

We have audited the accompanying consolidated financial statements of OJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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31 March 2011

	Note	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
Revenue		49,949,506	51,023,927	1,644,742	1,608,416
Cost of sales		(36,875,073)	(32,279,461)	(1,214,226)	(1,017,539)
Gross profit		13,074,433	18,744,466	430,516	590,877
Distribution expenses		(2,374,650)	(2,590,756)	(78,194)	(81,668)
Administrative expenses	8	(4,045,227)	(3,324,202)	(133,202)	(104,788)
Change in fair value of investment property	16, 17	(36,283)	(1,752,362)	(1,194)	(55,239)
Impairment losses on goodwill	15	-	(79,093)	-	(2,493)
Write-down of inventory		-	(529,084)	-	(16,678)
Other income	9	228,917	110,579	7,538	3,486
Other expenses	9	(576,742)	(84,200)	(18,991)	(2,654)
Results from operating activities		6,270,448	10,495,348	206,473	330,843
Finance income	11	685,905	855,858	22,586	26,979
Finance costs	11	(4,460,573)	(5,416,171)	(146,878)	(170,733)
Profit before income tax		2,495,780	5,935,035	82,181	187,089
Income tax expense	12	(753,860)	(1,345,252)	(24,823)	(42,406)
Profit for the year		1,741,920	4,589,783	57,358	144,683
Other comprehensive income / (loss)					
Foreign currency translation differences for foreign operations		(49,206)	14,047	(13,197)	(26,391)
Total comprehensive income for the year		1,692,714	4,603,830	44,161	118,292

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

	Note	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Profit attributable to:					
Shareholders of the Company		1,770,249	4,714,389	58,291	148,611
Non-controlling interest		(28,329)	(124,606)	(933)	(3,928)
Profit for the year		1,741,920	4,589,783	57,358	144,683
Total comprehensive income attributable to:					
Shareholders of the Company		1,721,043	4,728,436	45,094	122,220
Non-controlling interest		(28,329)	(124,606)	(933)	(3,928)
Total comprehensive income for the year		1,692,714	4,603,830	44,161	118,292
Basic and diluted earnings per share	25	17.76 RUB	50.33 RUB	0.58 USD	1.59 USD
Ordinary shares					

These consolidated financial statements were approved by management on 31 March 2011 and were signed on its behalf by:

A.I. Vakhmistrov
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

	Note	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	14	32,851,639	31,843,363	1,077,919	1,052,875
Intangible assets	15	4,567,223	4,472,080	149,858	147,866
Investment property under development	16	319,381	390,564	10,479	12,914
Investment property	17	2,308,258	2,304,827	75,738	76,207
Other investments	18	34,809	49,438	1,142	1,635
Deferred tax assets	19	1,501,991	1,166,230	49,283	38,560
Trade and other receivables	21	808,687	1,940,751	26,534	64,169
Restricted cash	23	11	396,487	-	13,110
Total non-current assets		42,391,999	42,563,740	1,390,953	1,407,336
Current assets					
Other investments	18	152,290	123,806	4,997	4,094
Inventories	20	52,821,493	55,125,699	1,733,165	1,822,687
Income tax receivable		178,139	276,813	5,845	9,153
Trade and other receivables	21	9,112,124	9,328,773	298,985	308,448
Cash and cash equivalents	22	1,327,139	2,895,550	43,546	95,739
Restricted cash	23	191,665	35	6,289	1
Assets classified as held for sale	6	44,831	-	1,471	-
Total current assets		63,827,681	67,750,676	2,094,298	2,240,122
Total assets		106,219,680	110,314,416	3,485,251	3,647,458

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

	Note	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
EQUITY AND LIABILITIES					
Equity	24				
Share capital		34,577	32,235	1,241	1,164
Share premium		26,408,386	14,562,700	959,987	569,931
Additional paid in capital		16,798,659	16,796,271	648,585	648,506
Foreign currency translation reserve		(13,377)	35,829	(193,604)	(180,407)
Retained earnings		9,715,541	7,945,398	317,296	259,008
Total equity attributable to shareholders of the Company		52,943,786	39,372,433	1,733,505	1,298,202
Non-controlling interest		199,770	248,659	10,227	11,837
Total equity		53,143,556	39,621,092	1,743,732	1,310,039
Non-current liabilities					
Loans and borrowings	26	27,714,483	24,433,473	909,360	807,873
Deferred tax liabilities	19	1,679,612	1,768,021	55,111	58,458
Trade and other payables	28	194,261	453	6,374	15
Provisions	27	4,975	741	163	25
Total non-current liabilities		29,593,331	26,202,688	971,008	866,371
Current liabilities					
Loans and borrowings	26	3,988,571	15,107,418	130,872	499,515
Income tax payable		145,306	633,459	4,768	20,945
Trade and other payables	28	18,782,036	28,183,680	616,271	931,871
Provisions	27	566,880	566,079	18,600	18,717
Total current liabilities		23,482,793	44,490,636	770,511	1,471,048
Total liabilities		53,076,124	70,693,324	1,741,519	2,337,419
Total equity and liabilities		106,219,680	110,314,416	3,485,251	3,647,458

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
OPERATING ACTIVITIES				
Profit for the period	1,741,920	4,589,783	57,358	144,683
Adjustments for:				
Depreciation and amortisation	2,380,528	2,405,571	78,386	75,831
Loss on disposal of property, plant and equipment	53,484	77,609	1,761	2,446
Gain on disposal of other assets	(228,917)	(100,505)	(7,538)	(3,168)
Loss/(gain) on disposal of subsidiaries	523,258	(3,483)	17,230	(110)
Change in fair value of investment property	36,283	1,752,362	1,194	55,239
Impairment losses on goodwill	-	79,093	-	2,493
Net finance costs	3,774,668	4,560,313	124,292	143,754
Inventory write-off	-	529,084	-	16,678
Income tax expense	753,860	1,345,252	24,823	42,406
Operating profit before changes in working capital and provisions	9,035,084	15,235,079	297,506	480,252
Decrease / (increase) in inventories	2,679,455	(1,671,397)	88,232	(52,688)
Decrease in trade and other receivables	579,862	4,147,453	19,094	130,740
Decrease in trade and other payables	(9,710,376)	(7,692,699)	(319,744)	(242,495)
Increase / (decrease) in provisions	5,035	(320,436)	166	(10,101)
Cash flows from operations before income taxes and interest paid	2,589,060	9,698,000	85,254	305,708
Income taxes paid	(1,557,871)	(1,755,595)	(51,298)	(55,341)
Interest paid	(3,406,499)	(4,471,972)	(112,169)	(140,969)
Cash flows (utilised by)/ from operating activities	(2,375,310)	3,470,433	(78,213)	109,398

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	246,902	670,048	8,130	21,122
Interest received	112,814	65,077	3,715	2,051
Acquisition of property, plant and equipment	(4,490,324)	(7,525,889)	(147,858)	(237,237)
Decrease in restricted cash	204,846	3,862,712	6,745	121,764
Acquisition of intangible assets	(425,078)	(17,014)	(13,997)	(536)
Acquisition of investment property and investment property under development	(115,169)	(285,240)	(3,793)	(8,992)
Loans given	(118,724)	(333,586)	(3,909)	(10,516)
Loans repaid	99,176	370,136	3,266	11,668
Disposal of subsidiaries (note 7)	(18,445)	296,434	(607)	9,345
Acquisition of subsidiaries, net of cash acquired (note 7)	-	(2,925,384)	-	(92,216)
Proceeds from disposal of assets and liabilities classified as held for sale	29,531	1,408	972	44
Purchase / (disposal) of other investments	(30,613)	80,882	(1,008)	2,550
Cash flows utilised by investing activities	(4,505,084)	(5,740,416)	(148,344)	(180,953)
FINANCING ACTIVITIES				
Proceeds from borrowings	37,031,963	34,581,868	1,219,392	1,090,116
Proceeds from bonds	6,264,649	-	206,283	-
Repayment of borrowings	(46,513,630)	(25,566,165)	(1,531,605)	(805,916)
Repayment of bonds	(2,422,810)	(6,079,812)	(79,779)	(191,653)
Payment of finance lease liabilities	(754,904)	(942,912)	(24,858)	(29,722)
Acquisition of non-controlling interest	(6,601)	(18,235)	(217)	(575)
Disposal of non-controlling interest in subsidiaries	-	100	-	3
Proceeds from secondary public offering	11,891,945	-	391,580	-
Cash flows from financing activities	5,490,612	1,974,844	180,796	62,253
Net decrease in cash and cash equivalents	(1,389,782)	(295,139)	(45,761)	(9,302)
Cash and cash equivalents at the beginning of the year	2,895,550	3,188,123	95,739	108,511
Effect of exchange rate fluctuations on cash and cash equivalents	(178,629)	2,566	(6,432)	(3,470)
Cash and cash equivalents at the end of the year (note 22)	1,327,139	2,895,550	43,546	95,739

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 103.

'000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	32,235	14,562,700	16,796,271	35,829	7,945,398	39,372,433	248,659	39,621,092
Total comprehensive income for the year								
Profit for the year	-	-	-	-	1,770,249	1,770,249	(28,329)	1,741,920
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(49,206)	-	(49,206)	-	(49,206)
Total comprehensive income for the year	-	-	-	(49,206)	1,770,249	1,721,043	(28,329)	1,692,714
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(11,571)	(11,571)
Excess of consideration paid over non-controlling interest acquired	-	-	(9,576)	-	-	(9,576)	4,956	(4,620)
Excess of non-controlling interest acquired over consideration paid	-	-	3,212	-	-	3,212	(5,193)	(1,981)
Adjustment to non-controlling interest	-	-	8,752	-	-	8,752	(8,752)	-
Share issued	2,342	11,845,686	-	-	-	11,848,028	-	11,848,028
Distribution to shareholders	-	-	-	-	(106)	(106)	-	(106)
Balance at 31 December 2010	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556

The consolidated 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 15 to 103.

’000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	32,235	14,562,700	16,477,226	21,782	3,231,009	34,324,952	648,530	34,973,482
Total comprehensive income for the year								
Profit for the year	-	-	-	-	4,714,389	4,714,389	(124,606)	4,589,783
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	14,047	-	14,047	-	14,047
Total comprehensive income for the year	-	-	-	14,047	4,714,389	4,728,436	(124,606)	4,603,830
Transactions with owners recorded directly in equity								
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	61,915	-	-	61,915	-	61,915
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	257,176	-	-	257,176	(275,411)	(18,235)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	(46)	-	-	(46)	146	100
Balance at 31 December 2009	32,235	14,562,700	16,796,271	35,829	7,945,398	39,372,433	248,659	39,621,092

The consolidated 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 15 to 103.

'000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	1,164	569,931	648,506	(180,407)	259,008	1,298,202	11,837	1,310,039
Total comprehensive income for the year								
Profit for the year	-	-	-	-	58,291	58,291	(933)	57,358
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(13,197)	-	(13,197)	-	(13,197)
Total comprehensive income for the year	-	-	-	(13,197)	58,291	45,094	(933)	44,161
Transactions with owners recorded directly in equity								
Disposal of subsidiaries	-	-	-	-	-	-	(381)	(381)
Excess of consideration paid over non-controlling interest acquired	-	-	(315)	-	-	(315)	163	(152)
Excess of non-controlling interest acquired over consideration paid	-	-	106	-	-	106	(171)	(65)
Adjustment to non-controlling interest	-	-	288		-	288	(288)	-
Share issued	77	390,056	-	-	-	390,133	-	390,133
Distribution to shareholders	-	-	-	-	(3)	(3)	-	(3)
Balance at 31 December 2010	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732

The consolidated 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 15 to 103.

'000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance at 1 January 2009	1,164	569,931	638,450	(154,016)	110,397	1,165,926	24,442	1,190,368
Total comprehensive income for the year								
Profit for the year	-	-	-	-	148,611	148,611	(3,928)	144,683
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(26,391)	-	(26,391)	-	(26,391)
Total comprehensive income for the year	-	-	-	(26,391)	148,611	122,220	(3,928)	118,292
Transactions with owners recorded directly in equity								
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	1,952	-	-	1,952	-	1,952
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	8,106	-	-	8,106	(8,682)	(576)
Excess of non-controlling interest sold over consideration received for entities under common control	-	-	(2)	-	-	(2)	5	3
Balance at 31 December 2009	1,164	569,931	648,506	(180,407)	259,008	1,298,202	11,837	1,310,039

The consolidated 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 15 to 103.

1 Background

(a) Organisation and operations

OJSC LSR Group (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 in other countries. The Company's shares are traded on the London Stock Exchange and Moscow Interbank Currency Exchange.

The Company's registered office is at 36, Kazanskaya Ulitsa, St. Petersburg, 190031, Russia.

The Group's principal activities include real estate development in St. Petersburg, Munich and Moscow, prefabricated panel construction in St. Petersburg and Yekaterinburg, commercial real estate development in St. Petersburg and Moscow, the production of building materials at plants located in Russia (St. Petersburg, Leningrad region and Urals Region) and Ukraine, the extraction and processing of aggregates in different areas of Leningrad region, and the provision of construction services. These products and services are sold mainly in Russia.

The Group's significant subsidiaries are detailed in note 34.

The Group is ultimately controlled by a single individual, Andrey Molchanov. Related party transactions are detailed in note 33.

(b) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- investment properties and investment properties under development are measured at fair value;
- financial investments classified as available-for-sale are stated at fair value.

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may 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 ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. These consolidated financial statements are also presented in United States Dollars ("USD") since the management believes that this currency is useful for the users of the consolidated financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB 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 estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- Note 13 - revenue recognition;
- Note 14– useful lives of property, plant and equipment;
- Note 15 – impairment;
- Notes 16 and 17 – determination of fair values of investment properties and investment properties under development;
- Note 21 – allowances for trade receivables;
- Note 27 - warranty provision, provision for site restoration and environment restoration; and
- Note 32 – contingencies.

(e) Change in accounting policy

(i) Overview

Starting as of 1 January 2010, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations;
- Determining and presentation of operating segments;
- Accounting and presentation of future interests in liquidity risk.

(ii) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and had has no material impact on earnings per share in the current period.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the statement of comprehensive income.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Determining and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to the transactions with any of the Group’s other components. An operating segment results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Per improvement reviewing and management process by the CEO in year 2010 the business unit named Gated Communities was included into the business unit Elite Real Estate. Combination was performed because of constructed by Gated Communities object Zhemchuzhina Razliva relates to Elite Real Estate. In order to facilitate the comparability of the data, the segment information of prior periods has been restated.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all period, presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as explained in note 2 (e), which addresses changes in the accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Special purpose entities

The Group has established a number of special purpose entities (“SPE”s) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities.

An 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, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their 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 Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. 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 same controlling shareholder that controls the Company are accounted for at the date of transfer of shares from the Group. The assets and liabilities sold are derecognised at their book values as recognised in the financial statements of the Group. Any difference between the book value of net assets sold and consideration received is recognised as a contribution from, or a distribution to, shareholders.

(v) Acquisitions and disposals of non-controlling interests

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

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, 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 a 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 financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in foreign currency translated at the exchange rate at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. 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 translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at the weighted average exchange rate for the period which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. 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 statement of comprehensive income as part of profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(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 other comprehensive income as 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 and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loans issued.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. 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 statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. 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 and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

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. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(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 and capitalised borrowing costs. 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income.

(ii) Reclassification of owner occupied property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss on remeasurement is recognised in equity.

(iii) 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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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

Goodwill arises on the acquisition of subsidiaries and is included in intangible assets.

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 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 between 1 January 2005 and 1 January 2010

For acquisitions between 1 January 2005 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in the statement of comprehensive income.

Acquisitions after 1 January 2010

For acquisitions after 1 January 2010, the Group measures goodwill at the acquisition date as: the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Any deficit is a gain on a bargain purchases, which is recognised immediately in the statement of comprehensive income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the statement of other comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) 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.

(iv) 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 the statement of comprehensive income as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of comprehensive income 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, since this most closely reflects the expected pattern of consumption of the future economic benefit s embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(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 in the Group’s statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

Investment property under development consists of plots of land, wholly or partly owned by the Group or leased to 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 and buildings are measured at fair value with any change therein recognised in the statement of comprehensive income.

In the absence of current prices in an active market, the fair values of investment property under development are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer's profit margin, to complete the individual projects to the stage where they could be marketed. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(i) 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. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of comprehensive income.

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.

(j) Inventories

Inventories are measured 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, production or conversion costs and other costs incurred in 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.

(k) Construction work in progress

Construction work in progress represents 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 (see note 3(p) (iii)) 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.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

(l) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial asset (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less then suggested by historical trends.

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. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the additional paid-in capital in equity, to the statement of comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayments and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the statement of comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, 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 each year at the same time.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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.

Goodwill that forms part of the carrying amount of an investment in associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(n) Employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) 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. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

(ii) Site restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment building. The related expense is recognised in the statement of comprehensive income.

(iii) 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.

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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 persuasive evidence exists, usually in the form of an executed sales agreement, that 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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the 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 signs the act of acceptance of the property, following certification by the competent Authorities.

(ii) Services

Revenue from services, rendered by the “Construction” segment, is recognised in the statement of comprehensive income 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.

Revenue from services, rendered by the “Construction services” segment is recognised in the statement of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(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 statement of comprehensive income in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

(iv) Rental income

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(q) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income 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 contingency no longer exists and the lease adjustment is known.

(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 statement of comprehensive income as incurred.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, 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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, 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.

(t) Earnings per share

The Group presents basic 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, adjusted for own shares held.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing this consolidated 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.

- Revised IAS 24 *Related Party Disclosures (2009)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Amendment to IAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces an exception to the current measurement principles for deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with IAS 40 *Investment Property*. The exception also applies to investment property acquired in a business combination accounted for in accordance with IFRS 3 *Business Combinations* provided the acquirer subsequently measures the assets using the fair value model. In these specified circumstances the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale unless the asset is depreciated or the business model is to consume substantially all the asset. The amendment is effective for periods beginning on or after 1 January 2012 and is applied retrospectively.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of International Financial Reporting Standards IAS 39 *Financial Instruments: Recognition and Measurement.* Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Investment property and investment property under development

The fair value of investment property and the investment property under development is based on valuations, performed by external independent valuation companies, 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 primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and market approach for investment property, undertaken according to the requirements of the United Kingdom's Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

(c) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same.

Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

(f) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has six reportable segments as described below which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group's management and internal reporting structure.

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) Operating segments

The following summary describes the operations in each of the Group's reportable segments:

Real Estate Development business units specialize in the development of elite, mass-market and business class residential real estate, gated communities and commercial real estate

Commercial Real Estate. Commercial Real Estate business unit owns and operates business centres.

Building Materials. Building Materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, and window blocks and doors.

Aggregates. Aggregates business units are engaged in crushed stone production, land-based and marine-dredged sand extraction.

Construction. Construction business units specialize in panel construction.

Construction Services. Construction Services business units specialize in providing of tower cranes services, transportation of construction materials and pile driving services.

There are varying levels of integration between the Building Materials, Construction and Real Estate Development reportable segments. This integration includes transfers of raw materials and services, respectively. Inter-segment pricing is determined on an arm's length basis. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(b) Geographical information

The operations of the Group are conducted and managed primarily in St. Petersburg, in Moscow and in Yekaterinburg, where the production facilities and sales offices of the Group are located. The Group also has operations in Germany and Ukraine, the volume of which is not significant to total operations of the Group. Accordingly, no geographical segmental information is presented.

(c) Major customer

Revenues from one customer of the Group's construction segment represents approximately RUB 7,005,719 thousand/ USD 230,685 thousand (year ended 31 December 2009: RUB 6,297,865 thousand / USD 198,526 thousand) of the Group's total revenues.

(i) Operating segments

Year ended 31 December 2010 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	21,129,684	144,371	10,583,719	3,107,911	12,165,224	1,183,145	15,331	48,329,385
Inter-segment revenue	68,739	-	1,115,838	599,552	879,656	360,603	-	3,024,388
Total segment revenue	21,198,423	144,371	11,699,557	3,707,463	13,044,880	1,543,748	15,331	51,353,773
Segment result	5,087,064	48,416	(338,060)	715,374	2,086,881	81,878	(1,912)	7,679,641
Depreciation/amortisation	24,890	862	859,096	502,735	600,361	287,155	105,429	2,380,528
Capital expenditure	178,914	1,750	3,169,577	703,406	332,695	179,963	76,960	4,643,265

Year ended 31 December 2009 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	23,355,688	143,926	9,568,582	3,140,947	12,125,239	1,312,656	17,423	49,664,461
Inter-segment revenue	61,208	1	704,371	461,757	631,008	450,949	-	2,309,294
Total segment revenue	23,416,896	143,927	10,272,953	3,602,704	12,756,247	1,763,605	17,423	51,973,755
Segment result	7,034,039	446,835	(420,632)	851,271	2,660,419	284,054	-	10,855,986
Depreciation/amortisation	35,104	1,266	882,919	518,111	552,918	302,529	112,724	2,405,571
Capital expenditure	16,918	1,673	7,425,322	142,530	270,797	29,203	12,499	7,898,942

Year ended 31 December 2010 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	695,760	4,754	348,502	102,338	400,578	38,959	505	1,591,396
Inter-segment revenue	2,263	-	36,742	19,742	28,965	11,874	-	99,586
Total revenue	698,023	4,754	385,244	122,080	429,543	50,833	505	1,690,982
Segment result	167,507	1,594	(11,132)	23,556	68,717	2,696	(63)	252,875
Depreciation/amortisation	820	28	28,288	16,554	19,769	9,455	3,472	78,386
Capital expenditure	5,891	58	104,368	23,162	10,955	5,926	2,534	152,894

Year ended 31 December 2009 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Revenue from external customers	736,236	4,537	301,628	99,011	382,221	41,379	549	1,565,561
Inter-segment revenue	1,929	-	22,204	14,556	19,891	14,215	-	72,795
Total revenue	738,165	4,537	323,832	113,567	402,112	55,594	549	1,638,356
Segment result	221,732	14,085	(13,259)	26,834	83,864	8,954	-	342,210
Depreciation/amortisation	1,107	40	27,832	16,332	17,430	9,537	3,553	75,831
Capital expenditure	533	53	234,067	4,493	8,536	921	394	248,997

Year ended 31 December 2010 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets	65,863,486	2,553,306	26,946,940	5,256,703	6,756,126	2,833,860	8,827	110,219,248
Segment liabilities	14,999,577	51,829	4,014,967	707,115	2,469,719	404,239	739	22,648,185

Year ended 31 December 2009 ’000 RUB	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets	68,676,251	2,574,875	26,825,749	4,385,653	8,838,369	2,982,238	-	114,283,135
Segment liabilities	24,178,899	290,101	3,292,741	603,646	3,543,105	247,561	-	32,156,053

Year ended of 31 December 2010 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets	2,161,095	83,778	884,176	172,482	221,680	92,984	290	3,616,485
Segment liabilities	492,162	1,701	131,738	23,202	81,036	13,264	24	743,127

Year ended 31 December 2009 ’000 USD	**Real Estate Development**	**Commercial Real Estate**	**Building Materials**	**Aggregates**	**Construction**	**Construction Services**	**Other entities**	**Total**
Segment assets	2,270,725	85,136	886,972	145,008	292,234	98,605	-	3,778,680
Segment liabilities	799,456	9,592	108,872	19,959	117,150	8,185	-	1,063,214

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Revenue	**’000 RUB**		**’000 USD**	
	2010	**2009**	**2010**	**2009**
Total revenue for reportable segments	51,353,773	51,973,755	1,690,982	1,638,356
Other revenue	274,442	272,648	9,035	8,595
Transportation revenue	1,345,679	1,086,818	44,311	34,260
Elimination of intersegment revenue	(3,024,388)	(2,309,294)	(99,586)	(72,795)
Consolidated revenue	49,949,506	51,023,927	1,644,742	1,608,416

Profit for the period	**’000 RUB**		**’000 USD**	
	2010	**2009**	**2010**	**2009**
Total segment result	7,679,641	10,855,986	252,875	342,210
Other result	(326,772)	491,716	(10,760)	15,502
Unallocated expenses and income, net	(1,082,421)	(852,354)	(35,642)	(26,869)
Finance income	685,905	855,858	22,586	26,979
Finance costs	(4,460,573)	(5,416,171)	(146,878)	(170,733)
Income tax expense	(753,860)	(1,345,252)	(24,823)	(42,406)
Profit for the period	1,741,920	4,589,783	57,358	144,683

Assets	**’000 RUB**		**’000 USD**	
	2010	**2009**	**2010**	**2009**
Total assets for reportable segments	110,219,248	114,283,135	3,616,485	3,778,680
Elimination of intersegment assets	(11,554,930)	(11,850,816)	(379,139)	(391,837)
Unallocated assets	7,555,362	7,882,097	247,905	260,615
Total assets	106,219,680	110,314,416	3,485,251	3,647,458

Liabilities	**’000 RUB**		**’000 USD**	
	2010	**2009**	**2010**	**2009**
Total liabilities for reportable segments	22,648,185	32,156,053	743,127	1,063,214
Elimination of intersegment liabilities	(3,401,053)	(3,213,349)	(111,596)	(106,246)
Unallocated liabilities	33,828,992	41,750,620	1,109,988	1,380,451
Total liabilities	53,076,124	70,693,324	1,741,519	2,337,419

Other material items	**’000 RUB**		**’000 USD**	
	2010	**2009**	**2010**	**2009**
Capital expenditure	4,643,265	7,898,942	152,894	248,997
Elimination of intersegment purchases	(99,403)	(224,618)	(3,274)	(7,080)
Consolidated capital expenditure	4,543,862	7,674,324	149,620	241,917

6 Assets held for sale

As at 31 December 2010 one entity within the Group classified part of its property, plant and equipment as assets classified held for sale in the amount of RUB 44,831 thousand / USD 1,471 thousand.

7 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries and legal entities

There were no acquisitions of subsidiaries during the year 2010 and 2009.

During the year ended 31 December 2010 the Group acquired a legal entity owning assets from third parties. The Group recognised an increase in minority interest of RUB 4,956 thousand / USD 163 thousand for non-controlling interest in the entity. Distribution to shareholders of RUB 9,576 thousand / USD 315 thousand was recognised directly in equity.

During the year ended 31 December 2009 the Group has repaid outstanding payables for the shares in the subsidiaries acquired before 1 January 2009 in the amount of RUB 2,925,384 thousand / USD 92,216 thousand, which was disclosed within investing activities in the consolidated statement of cash flows.

(b) Changes in non-controlling interests

During the year ended 31 December 2010 the Group acquired an additional interest in a number of subsidiaries from third parties. The Group recognised a decrease in non-controlling interest of RUB 5,193 thousand / USD 171 thousand. Contribution from shareholders of RUB 3,212 thousand / USD 106 was recognised directly in equity.

As at 31 December 2010 the Group recalculated net assets attributable to non-controlling interest and recognised the adjustment of RUB 8,752 thousand / USD 288 thousand directly in equity as it has no material impact on the financial statements.

During the year ended 31 December 2009 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 275,411 thousand / USD 8,682 thousand. Contribution from shareholders of RUB 257,176 thousand / USD 8,106 thousand was recognised directly in equity.

During the year ended 31 December 2009 the Group disposed of non-controlling holdings in a number of its subsidiaries to companies controlled by the Group ultimate controlling party and third parties. The Group recognised an increase in minority interest of RUB 146 thousand / USD 5 thousand. Distribution to shareholders of RUB 46 thousand / USD 2 thousand was recognised directly in equity.

(c) Disposal of subsidiaries

In June 2010 one of the Group subsidiaries disposed its share in newly established entity OOO "Sluzhba 071" to an individual for a consideration of RUB 860 thousand / USD 28 thousand. The net gain on the disposal of RUB 854 thousand / USD 28 thousand was recognised as gain on disposal of subsidiary.

During the year 2010 the Group disposed Aeroc International AS, with it's subsidiaries (Aeroc aktsiaselts (formerly Aeroc AS), "AEROC" SIA (formerly Aeroc Poribet SIA), Joint-Stock Company "Petrobeton", OOO "Aeroc Kaliningrad". The sale was performed to third party. The Baltic States markets were not strategic for the Group, and the difficult economic situation in Lithuania, Latvia and Estonia was one of the major factors in making a sales decision. The net loss on the disposal of RUB 523,258 thousand / USD 17,230 thousand was recognised as loss on disposal of subsidiary. The disposal is paid by notes receivable with maturity dates in 2014-2020.

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	729,835	24,033
Goodwill	245,952	8,099
Other intangible assets	1,823	60
Non-current trade and other receivables	558	18
Current assets		
Inventories	55,290	1,821
Trade and other receivables	322,461	10,618
Income tax receivable	351	12
Cash and cash equivalents	18,445	607
Non-current liabilities		
Other long-term liabilities	(1,516)	(50)
Current liabilities		
Interest-bearing loans and borrowings	(425,106)	(13,998)
Trade and other payables	(291,176)	(9,603)
Net assets, liabilities and contingent liabilities disposed	656,917	21,617
Non-controlling interest in disposed subsidiaries	(11,571)	(381)
Excess of book values of net assets sold over consideration received	(523,258)	(17,230)
Consideration received	(122,088)	(4,006)
Cash and cash equivalents disposed	(18,445)	(607)
Net cash outflow	(18,445)	(607)

In September 2009 the Group disposed of Joint-Stock Company "Golden Kazanskaya" to related party. The net gain on the disposal of RUB 61,915 thousand / USD 1,952 thousand was recognised as contribution from shareholders.

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

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	216,666	6,830
Deferred tax assets	47	1
Current assets		
Trade and other receivables	39,324	1,241
Income tax receivable	1,137	36
Cash and cash equivalents	3,566	112
Non-current liabilities		
Deferred tax liability	(20,640)	(651)
Current liabilities		
Trade and other payables	(2,015)	(64)
Net identifiable assets, liabilities and contingent liabilities disposed	238,085	7,505
Excess of consideration received for entities under common control over book values of net assets sold	61,915	1,952
Consideration received	300,000	9,457
Cash disposed of	(3,566)	(112)
Net cash inflow	296,434	9,345

In November 2009 the Group disposed of ZAO "Kikerino-Elektrik", previously disclosed as held for sale, to a third party. The subsidiary contributed a loss of RUB 6,644 thousand / USD 210 thousand to the net profit for the year including the net gain on the disposal of RUB 3,483 thousand/ USD 110 thousand.

8 Administrative expenses

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Wages and salaries	2,336,197	1,928,450	76,927	60,790
Services	781,112	617,640	25,720	19,470
Materials	95,223	93,393	3,135	2,944
Depreciation and amortisation	162,216	148,255	5,341	4,673
Taxes other than profit tax	227,708	235,541	7,498	7,425
Social expenditure	164,282	137,600	5,410	4,338
Insurance	32,969	37,438	1,086	1,180
Other administrative expenses	245,520	125,885	8,085	3,968
	4,045,227	3,324,202	133,202	104,788

9 Other income and expenses

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Other income:				
Gain on disposal of assets and liabilities held for sale	-	3,483	-	110
Gain on disposal of other assets	228,917	107,096	7,538	3,376
Total other income	228,917	110,579	7,538	3,486
Other expenses:				
Loss on disposal of property, plant and equipment	(53,484)	(77,609)	(1,761)	(2,446)
Loss on disposal of subsidiaries	(523,258)	-	(17,230)	-
Loss on disposal of other assets	-	(6,591)	-	(208)
Total other expenses	(576,742)	(84,200)	(18,991)	(2,654)
Net other income	(347,825)	26,379	(11,453)	832

10 Total personnel costs

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Wages and salaries:				
Cost of sales	4,770,794	4,462,088	157,093	140,657
Administrative expenses	2,336,197	1,928,450	76,927	60,790
Distribution expenses	378,163	320,311	12,452	10,097
	7,485,154	6,710,849	246,472	211,544

11 Finance income and finance costs

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Recognised in profit or loss				
Finance income				
Foreign exchange gain	445,187	597,406	14,660	18,832
Interest income	112,814	65,077	3,715	2,051
Unwind of discount	112,410	-	3,701	-
Repurchase of own bonds	-	181,647	-	5,726
Resale of own bonds	10,973	-	361	-
Income from sale of available-for-sale investments	3,606	7,881	119	248
Other finance income	915	3,847	30	122
	685,905	855,858	22,586	26,979
Finance costs				
Interest expense	(3,899,042)	(4,645,471)	(128,388)	(146,438)
Unwind of discount on payables for shares of the subsidiaries acquired	-	(250,001)	-	(7,881)
Foreign exchange loss	(539,624)	(507,205)	(17,769)	(15,989)
Loss from sale of available-for-sale investments	-	(1,698)	-	(54)
Non-controlling interest in limited liability subsidiaries	(545)	36,534	(18)	1,152
Other finance costs	(21,362)	(48,330)	(703)	(1,523)
	(4,460,573)	(5,416,171)	(146,878)	(170,733)
Net finance costs recognised in profit or loss	(3,774,668)	(4,560,313)	(124,292)	(143,754)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	(49,206)	14,047	(13,197)	(26,391)
Finance income / (costs) recognised in other comprehensive income, net of tax	(49,206)	14,047	(13,197)	(26,391)
Attributable to:				
Equity holders of the Company	(49,206)	14,047	(13,197)	(26,391)

12 Income tax expense

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Current tax expense				
Current period	1,168,041	2,077,886	38,461	65,501
Deferred tax expense				
Origination and reversal of temporary differences	(414,181)	(732,634)	(13,638)	(23,095)
Income tax expense	753,860	1,345,252	24,823	42,406

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (2009: 20%).

Reconciliation of effective tax rate:

	2010 '000 RUB	%	2009 '000 RUB	%	2010 '000 USD	%	2009 '000 USD	%
Profit for the period	1,741,920		4,589,783		57,358		144,683	
Income tax expense	753,860		1,345,252		24,823		42,406	
Profit before income tax	2,495,780	100	5,935,035	100	82,181	100	187,089	100
Income tax at applicable tax rate	499,156	20	1,187,007	20	16,436	20	37,418	20
Tax incentives	(92,198)	(4)	(73,358)	(1)	(3,036)	(4)	(2,312)	(1)
Write-down of deferred tax assets	53,085	2	-	-	1,748	2	-	-
Non-deductible items	340,445	14	336,179	6	11,210	14	10,597	6
Non-taxable items	(46,628)	(2)	(104,576)	(2)	(1,535)	(2)	(3,297)	(2)
	753,860	30	1,345,252	23	24,823	30	42,406	23

As at 31 December 2010 the Group reassessed its estimation of deferred tax assets on unused tax losses recoverability, that was previously recognised as at 31 December 2009 in the amount of RUB 53,085 thousand / USD 1,748 thousand. The Group estimates that as at 31 December 2010 it is not probable that taxable profit will be available against which those unused tax losses can be utilized and hence amount was written off.

13 Construction contracts

The revenue and gross margin recognised on construction contracts per year are presented below:

	2010 '000 RUB	2009 '000 RUB	2010 '000 USD	2009 '000 USD
Contract revenue	11,988,401	12,196,988	394,755	384,483
Contract costs	(9,484,657)	(8,464,157)	(312,311)	(266,814)
Gross profit	2,503,744	3,732,831	82,444	117,669

14 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2009	11,229,161	10,576,398	2,817,662	652,302	8,099,076	33,374,599
Additions	196,578	327,122	99,096	50,597	7,000,931	7,674,324
Disposals	(144,111)	(50,338)	(97,103)	(14,729)	(492,288)	(798,569)
Disposals of subsidiaries	(226,641)	(2,858)	-	(199)	-	(229,698)
Transfers and reclassifications	599,029	877,853	4,513	(14,324)	(2,370,225)	(903,154)
Effect of movements in exchange rates	(8,026)	(911)	(557)	331	11,220	2,057
At 31 December 2009	11,645,990	11,727,266	2,823,611	673,978	12,248,714	39,119,559
At 1 January 2010	11,645,990	11,727,266	2,823,611	673,978	12,248,714	39,119,559
Additions	714,637	256,785	164,950	47,262	3,360,228	4,543,862
Disposals	(111,945)	(109,451)	(123,617)	(26,658)	(116,758)	(488,429)
Disposals of subsidiaries	(423,541)	(614,629)	(758)	(19,756)	(17,127)	(1,075,811)
Reclassifications to non-current assets held for sale	-	(122,383)	-	-	-	(122,383)
Transfers and reclassifications	248,421	89,243	28,529	19,638	(385,831)	-
Effect of movements in exchange rates	(40,543)	(29,594)	335	(1,141)	(33,381)	(104,324)
At 31 December 2010	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
Depreciation and impairment losses						
At 1 January 2009	(1,173,776)	(2,589,574)	(993,260)	(303,989)	-	(5,060,599)
Depreciation charge	(582,977)	(1,226,594)	(436,791)	(96,387)	-	(2,342,749)
Disposals	11,596	54,136	35,562	15,016	-	116,310
Disposals of subsidiaries	11,335	1,661	-	36	-	13,032
Transfers and reclassifications	(1,628)	(6,020)	(379)	8,027	-	-
Effect of movements in exchange rates	(44)	(2,164)	218	(200)	-	(2,190)
At 31 December 2009	(1,735,494)	(3,768,555)	(1,394,650)	(377,497)	-	(7,276,196)
At 1 January 2010	(1,735,494)	(3,768,555)	(1,394,650)	(377,497)	-	(7,276,196)
Depreciation charge	(576,223)	(1,239,783)	(422,850)	(85,753)	-	(2,324,609)
Disposals	9,966	48,849	74,158	12,964	-	145,937
Disposals of subsidiaries	95,615	233,389	691	16,281	-	345,976
Reclassifications to non-current assets held for sale	-	69,806	-	-	-	69,806
Transfers and reclassifications	4,676	4,302	(1)	(8,977)	-	-
Effect of movements in exchange rates	4,747	12,645	(67)	926	-	18,251
At 31 December 2010	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
Net book value						
At 1 January 2009	10,055,385	7,986,824	1,824,402	348,313	8,099,076	28,314,000
At 31 December 2009	9,910,496	7,958,711	1,428,961	296,481	12,248,714	31,843,363
At 31 December 2010	9,836,306	6,557,890	1,150,331	251,267	15,055,845	32,851,639

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2009	382,199	359,981	95,903	22,202	275,664	1,135,949
Additions	6,197	10,312	3,124	1,595	220,689	241,917
Disposals	(4,543)	(1,587)	(3,061)	(464)	(15,518)	(25,173)
Disposals of subsidiaries	(7,144)	(90)	-	(6)	-	(7,240)
Transfers and reclassifications	18,883	27,672	142	(452)	(74,715)	(28,470)
Effect of movements in exchange rates	(10,527)	(8,535)	(2,748)	(590)	(1,126)	(23,526)
At 31 December 2009	385,065	387,753	93,360	22,285	404,994	1,293,457
At 1 January 2010	385,065	387,753	93,360	22,285	404,994	1,293,457
Additions	23,532	8,455	5,431	1,556	110,646	149,620
Disposals	(3,686)	(3,604)	(4,070)	(878)	(3,845)	(16,083)
Disposals of subsidiaries	(13,946)	(20,239)	(25)	(651)	(564)	(35,425)
Reclassifications to non-current assets held for sale	-	(4,030)	-	-	-	(4,030)
Transfers and reclassifications	8,180	2,939	939	647	(12,705)	-
Effect of movements in exchange rates	(4,321)	(3,873)	(709)	(210)	(4,517)	(13,630)
At 31 December 2010	394,824	367,401	94,926	22,749	494,009	1,373,909
Depreciation and impairment losses						
At 1 January 2009	(39,951)	(88,140)	(33,807)	(10,347)	-	(172,245)
Depreciation charge	(18,377)	(38,666)	(13,769)	(3,038)	-	(73,850)
Disposals	366	1,707	1,121	473	-	3,667
Disposals of subsidiaries	357	52	-	1	-	410
Transfers and reclassifications	(51)	(190)	(12)	253	-	-
Effect of movements in exchange rates	273	633	354	176	-	1,436
At 31 December 2009	(57,383)	(124,604)	(46,113)	(12,482)	-	(240,582)
At 1 January 2010	(57,383)	(124,604)	(46,113)	(12,482)	-	(240,582)
Depreciation charge	(18,974)	(40,824)	(13,924)	(2,824)	-	(76,546)
Disposals	328	1,609	2,442	427	-	4,806
Disposals of subsidiaries	3,148	7,685	23	536	-	11,392
Reclassifications to non-current assets held for sale	-	2,299	-	-	-	2,299
Transfers and reclassifications	154	142	-	(296)	-	-
Effect of movements in exchange rates	649	1,468	390	134	-	2,641
At 31 December 2010	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
Net book value						
At 1 January 2009	342,248	271,841	62,096	11,855	275,664	963,704
At 31 December 2009	327,682	263,149	47,247	9,803	404,994	1,052,875
At 31 December 2010	322,746	215,176	37,744	8,244	494,009	1,077,919

Depreciation expense of RUB 2,108,655 thousand / USD 69,434 thousand has been charged in cost of goods sold (2009: RUB 2,139,681 thousand / USD 67,449 thousand), RUB 43,391 thousand / USD 1,429 thousand in distribution expenses (2009: RUB 48,683 thousand / USD 1,535 thousand) and RUB 147,293 thousand / USD 4,850 thousand in administrative expenses (2009: RUB 138,998 thousand / USD 4,382 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 15.

(b) Security

Properties with a carrying amount of RUB 1,104,044 thousand / USD 36,226 thousand are subject to a registered debenture to secure bank loans (31 December 2009: RUB 7,732,231 thousand / USD 255,660 thousand) (refer to note 26).

(c) 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 31 December 2010 the net book value of leased plant and machinery was RUB 1,402,103 thousand / USD 46,005 thousand (31 December 2009: RUB 2,186,397 thousand / USD 72,291 thousand).

The leased equipment secures the lease obligations. In addition to that other properties with a carrying amount of RUB 1,019 thousand / USD 33 thousand secure the lease obligations (31 December 2009: RUB 3,158 thousand / USD 104 thousand).

15 Intangible assets

’000 RUB	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2009	4,326,912	724,399	5,051,311
Additions	-	17,014	17,014
Disposals	-	(3,668)	(3,668)
Effects of movement in exchange rates	-	138	138
Balance at 31 December 2009	4,326,912	737,883	5,064,795
Balance at 1 January 2010	4,326,912	737,883	5,064,795
Additions	-	425,078	425,078
Disposals	-	(23,061)	(23,061)
Disposal of subsidiaries	(245,952)	(5,396)	(251,348)
Effects of movement in exchange rates	-	213	213
Balance 31 December 2010	4,080,960	1,134,717	5,215,677
Amortisation and impairment losses			
Balance at 1 January 2009	(390,986)	(44,837)	(435,823)
Amortisation charge	-	(80,010)	(80,010)
Disposals	-	2,198	2,198
Impairment losses during the year	(79,093)	-	(79,093)
Effects of movement in exchange rates	-	13	13
Balance at 31 December 2009	(470,079)	(122,636)	(592,715)
Balance at 1 January 2010	(470,079)	(122,636)	(592,715)
Amortisation charge	-	(69,470)	(69,470)
Disposals	-	10,168	10,168
Disposal of subsidiaries	-	3,573	3,573
Effects of movement in exchange rates	-	(10)	(10)
Balance 31 December 2010	(470,079)	(178,375)	(648,454)
Net book value			
At 1 January 2009	3,935,926	679,562	4,615,488
At 31 December 2009	3,856,833	615,247	4,472,080
At 31 December 2010	3,610,881	956,342	4,567,223

’000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2009	147,271	24,656	171,927
Additions	-	536	536
Disposals	-	(116)	(116)
Effects of movement in exchange rates	(4,205)	(678)	(4,883)
Balance at 31 December 2009	143,066	24,398	167,464
Balance at 1 January 2010	143,066	24,398	167,464
Additions	-	13,997	13,997
Disposals	-	(759)	(759)
Disposal of subsidiaries	(8,099)	(178)	(8,277)
Effect of movements in exchange rates	(1,064)	(225)	(1,289)
Balance 31 December 2010	133,903	37,233	171,136
Amortisation and impairment losses			
Balance at 1 January 2009	(13,308)	(1,525)	(14,833)
Amortisation charge	-	(2,522)	(2,522)
Disposals	-	69	69
Impairment losses during the year	(2,493)	-	(2,493)
Effects of movement in exchange rates	258	(77)	181
Balance at 31 December 2009	(15,543)	(4,055)	(19,598)
Balance at 1 January 2010	(15,543)	(4,055)	(19,598)
Amortisation charge	-	(2,288)	(2,288)
Disposals	-	335	335
Disposal of subsidiaries	-	118	118
Effect of movements in exchange rates	119	36	155
Balance 31 December 2010	(15,424)	(5,854)	(21,278)
Net book value			
At 1 January 2009	133,963	23,131	157,094
31 December 2009	127,523	20,343	147,866
At 31 December 2010	118,479	31,379	149,858

Other intangible assets mainly include licences for extraction of sand and crushed granite in Saint-Petersburg and Ural regions.

Intangible assets classified within other are not subject to a registered debenture to secure bank loans (31 December 2009: RUB 2,443 thousand / USD 81 thousand) (refer to note 26).

(a) Impairment testing of goodwill and property, plant and equipment

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing 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 or business unit (BU) and the related impairment losses recognised are as follows:

		Allocated goodwill		Accumulated impairment losses		Net book value as at 31 December 2010	
Entity / Business Unit	**Segment**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**
OAO "Zavod ZhBI-6"	Building Materials	254,172	8,340	(188,583)	(6,187)	65,589	2,153
JSC "Aeroc Obuchow"(LCC "Aeroc" ltd)	Building Materials	818,546	26,858	(164,594)	(5,401)	653,952	21,457
LSR Europe GmbH	Real Estate Development	50,093	1,644	-	-	50,093	1,644
OOO "Cement"	Building Materials	621,485	20,392	-	-	621,485	20,392
OAO "Parkon"(OAO "PO"Barrikada")	Building Materials	17,354	569	-	-	17,354	569
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)	Real Estate Development	22,451	737	-	-	22,451	737
BU Crushed Granite Ural	Aggregates	128,269	4,209	(116,902)	(3,836)	11,367	373
BU Construction Ural	Construction	736,429	24,164	-	-	736,429	24,164
BU Development Ural	Real Estate Development	1,276,844	41,894	-	-	1,276,844	41,894
BU Crushed Granite Saint-Petersburg	Aggregates	155,317	5,096	-	-	155,317	5,096
		4,080,960	133,903	(470,079)	(15,424)	3,610,881	118,479

Impairment review was conducted by the Group as of 31 December 2010. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2010 and has not significantly changed compared to those that were used as of 31 December 2009.

Building Materials, Aggregates and Construction services segments:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The recovery of the market has already started, and the plants are expected to reach the levels of 2008 in 2012-2013;
- Cash flows for further years were extrapolated assuming 2% further growth in production;
- Discount rate of 19.74% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 38.81% at a market interest rate of 13.02% p.a. and an industry average beta-coefficient.

Construction:

- Cash flows were projected based on budgeted operating results for 2011 and four years business plans;
- Plan for 2011 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2% further growth in production;
- Discount rate of 15.43% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39.92% at a market interest rate of 13.02% p.a. and an industry average beta-coefficient.

Real Estate Development and Commercial Real Estate:

- Cash flows were determined for the existing and planned investment projects up to the end of their construction and sale or on the basis of 4-year budgeted operating results.
- Discount rate of 15.43% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 39.92% at a market interest rate of 13.02% p.a. and an industry average beta-coefficient.

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

No impairment loss was recognised in respect of goodwill allocated to the entities and business units above and other non-financial assets, as the impairment test demonstrates that for these entities and business units' values in use are significantly higher than carrying amounts in aggregate and individually.

The estimates made for impairment test purpose in relation to these entities and business units are particularly sensitive in the following areas:

- A 10% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following entities / BU:

Entity / Business unit	**’000 RUB**	**’000 USD**
OOO Cement	345,261	11,329
BU Crushed granite Ural	9,943	326
BU Building materials supply	42,124	1,382

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following entities / BU.

Entity / Business unit	**’000 RUB**	**’000 USD**
BU Building materials supply	12,091	397

16 Investment property under development

	Fair value of investment projects			
	2010	**2009**	**2010**	**2009**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Cost / Fair value				
At 1 January	390,564	5,488,448	12,914	186,806
Change in fair value recognised directly in the statement of comprehensive income	(37,974)	(2,132,132)	(1,250)	(67,210)
Reclassification into inventories	(146,623)	(3,250,992)	(4,828)	(102,481)
Additions	113,414	285,240	3,735	8,992
Effect of movements in exchange rates	-	-	(92)	(13,193)
At 31 December	319,381	390,564	10,479	12,914

Investment property under development consists of plots of land, wholly or partly owned, by the Group, on which commercial properties are being, or will be, built and costs capitalised in connection with the development of the site. These properties will be leased to third parties on completion.

Costs capitalised relate to development carried out on sites owned or partly owned by the Group. Both land and costs capitalised are measured at fair value with any change therein recognised in the statement of comprehensive income.

In 2009 the Group decided to change the concept of OAO “Zavod Elektrik” to residential property. Initially, the Group intended to build an office centre with a gross buildable area of 346,924 square meters, a net leasable area of 179,559 square meters and with parking for 2,663 cars on the land plot, belonging to the Group subsidiary OAO “Zavod Elektrik”, which was treated as an investment property under development. However, as the prospects of the St. Petersburg office real estate market seem weaker as compared to the residential property market, the Group decided to reposition the project to the residential development and started the works for re-design in 2009.

Accordingly, reclassification of this land plot and construction capitalized into inventory was made. Until the date of reclassification OAO "Zavod Elektrik" investment property under development was stated at fair value. The effect of loss from revaluation of this investment property under development in six months ended 31 December 2009 recognised in the statement of comprehensive income amounted to RUB 1,887,809 thousand / USD 59,509 thousand.

In 2010 the Group decided to change the concept of "Kuybisheva" to residential property. Initially, the Group intended to build an office centre with a gross buildable area of 10,276 square meters, and with parking, belonging to the Group subsidiary "Kuybisheva", which was treated as an investment property under development. However, as the prospects of the St. Petersburg office real estate market seem weaker as compared to the residential property market, the Group decided to reposition the project to the residential development and started the works for re-design in 2010. Accordingly, reclassification of this land plot and construction capitalized into inventory was made.

The fair value of the investment property under development 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. 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 less the estimated costs to complete the individual projects to the stage where they could be marketed and the estimated developer's profit margin. A discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

The major assumptions used in valuation models and valuation results as at 31 December 2010 are as follows:

						Rent rates assumed per sq mtr			
Project	**Expected occupa-tion rate**	**Discount rate used**	**Location**	**Gross buildable area**	**Fair value of investment projects**	**Offices**	**Retail**	**Other**	**Parking (per lot)**
				Sq mtr	**'000 RUB**	**RUB**	**RUB**	**RUB**	**RUB**
TOC na Leningradskom	80%	22%	Vyborg, Lenigradskiy pr. 17	7,362	30,508	10,500	-	-	-
Hermitage View House	100%	15%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	288,873	17,000	18,000	18,000	96,000
					319,381				
				Sq mtr	**'000 USD**	**USD**	**USD**	**USD**	**USD**
TOC na Leningradskom	80%	22%	Vyborg, Lenigradskiy pr. 17	7,362	1,001	345	-	-	-
Hermitage View House	100%	15%	Saint-Petersburg, Zoologicheskiy Lane 2-4	19,374	9,478	558	591	591	3,150
					10,479				

The properties are expected to be completed in period from 2011 till the middle of 2013.

Investment properties under development are not subject to a registered debenture to secure bank loans (31 December 2009: RUB 212,337 thousand / USD 7,021 thousand) - refer to note 26.

Sensitivity analysis

A 10% increase in the estimated rental rates would have increased fair values of investment projects and profit by RUB 90,229 thousand / USD 2,961 thousand. A 10% decrease in the estimated rental would have an equal but opposite effect on the basis that all other variables remain constant.

A 10% increase in the assumed discount rate would have decreased fair values of investment projects and profit by RUB 28,617 thousand / USD 939 thousand. A 10% decrease in the assumed discount rate would have increased fair values of investment projects and profit by RUB 31,047 thousand / USD 1,019 thousand on the basis that all other variables remain constant.

A 10% increase in the anticipated costs to completion of individual projects would have decreased fair values of investment projects and profit by RUB 64,575 thousand / USD 2,119 thousand. A 10% decrease in these costs would have an equal but opposite effect on the basis that all other variables remain constant. A 10% increase in the anticipated occupancy rates of individual projects would have increased the fair values of investment projects and profit by RUB 69,324 thousand / USD 2,275 thousand. A 10% decrease in the anticipated occupancy rates of individual projects would have decreased fair values of investment projects and profit by RUB 108,775 thousand / USD 3,569 thousand.

17 Investment property

’000 RUB	**2010**	**2009**
Cost		
At 1 January	2,304,827	1,925,057
Additions	1,755	-
Change in fair value	1,691	379,770
Disposal	(15)	-
At 31 December	2,308,258	2,304,827

’000 USD	**2010**	**2009**
Cost		
At 1 January	76,207	65,522
Additions	58	-
Disposal	-	-
Change in fair value	56	11,971
Effect of movements in exchange rates	(583)	(1,286)
At 31 December	75,738	76,207

Investment property comprises a number of commercial properties that are leased to third parties. External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group’s investment property portfolio on a regular basis. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction.

In preparing the valuations of the existing office properties as of 31 December 2010 the comparable approach has been used.

The following amounts were recognized in the Consolidated Statement of Comprehensive Income in respect of investment property:

	2010	**2009**	**2010**	**2009**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Rental income from investment property	144,371	143,926	4,754	4,537
Direct operating expenses arising from investment property that generated rental income during the period	32,156	19,047	1,059	600

As of 31 December 2010 there are no investment properties pledged as collateral to secure bank loans (31 December 2009: RUB 2,304,827 thousand / USD 76,207 thousand) - refer to note 26.

18 Other investments

	2010	**2009**	**2010**	**2009**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	18,595	11,578	610	383
Originated loans	16,214	37,860	532	1,252
	34,809	49,438	1,142	1,635
Current				
Available-for-sale investments:				
Stated at fair value	-	2,365	-	78
Held to maturity investments	25,961	-	852	-
Originated loans	126,329	121,441	4,145	4,016
	152,290	123,806	4,997	4,094

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 the period would differ significantly from that carrying amount.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 29.

19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

'000 RUB	**Assets**		**Liabilities**		**Net**	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
Property, plant and equipment	(729,229)	(314,588)	2,043,031	1,772,801	1,313,802	1,458,213
Intangible assets	(57,193)	(19)	158,668	114,246	101,475	114,227
Investment property under development	(12,991)	(12,189)	1,789	112,980	(11,202)	100,791
Investment property	-	-	348,692	345,090	348,692	345,090
Inventories	(551,261)	(549,571)	416,435	309,084	(134,826)	(240,487)
Trade and other receivables	(335,114)	(348,416)	145,809	10,659	(189,305)	(337,757)
Loans and borrowings	(47,327)	(89,807)	31,702	12,797	(15,625)	(77,010)
Provisions	(8,813)	(8,721)	-	-	(8,813)	(8,721)
Trade and other payables	(244,565)	(156,823)	63,424	14,982	(181,141)	(141,841)
Tax loss carry-forwards	(1,045,436)	(610,714)	-	-	(1,045,436)	(610,714)
Tax (assets)/liabilities	(3,031,929)	(2,090,848)	3,209,550	2,692,639	177,621	601,791
Set off of tax	1,529,938	924,618	(1,529,938)	(924,618)	-	-
Net tax (assets)/liabilities	(1,501,991)	(1,166,230)	1,679,612	1,768,021	177,621	601,791

'000 USD	**Assets**		**Liabilities**		**Net**	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
Property, plant and equipment	(23,927)	(10,402)	67,035	58,616	43,108	48,214
Intangible assets	(1,877)	(1)	5,206	3,777	3,329	3,776
Investment property under development	(426)	(403)	59	3,736	(367)	3,333
Investment property	-	-	11,441	11,410	11,441	11,410
Inventories	(18,088)	(18,171)	13,664	10,221	(4,424)	(7,950)
Trade and other receivables	(10,996)	(11,520)	4,784	352	(6,212)	(11,168)
Loans and borrowings	(1,553)	(2,969)	1,040	423	(513)	(2,546)
Provisions	(289)	(288)	-	-	(289)	(288)
Trade and other payables	(8,025)	(5,185)	2,082	495	(5,943)	(4,690)
Tax loss carry-forwards	(34,302)	(20,193)	-	-	(34,302)	(20,193)
Tax (assets)/liabilities	(99,483)	(69,132)	105,311	89,030	5,828	19,898
Set off of tax	50,200	30,572	(50,200)	(30,572)	-	-
Net tax (assets)/liabilities	(49,283)	(38,560)	55,111	58,458	5,828	19,898

Temporary difference of RUB 18,566,025 thousand / USD 609,184 thousand (31 December 2009: RUB 22,091,261 thousand / USD 730,430 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 the reversal is not expected in the foreseeable future.

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2010 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 15).The major part of those tax losses relates to business segments Real Estate Development, Building Materials and Other Entities and expire in 2018-2020.

(b) Movement in temporary differences during the year

'000 RUB	1 January 2010	Recognised in profit or loss	Acquired	Effect of movements in exchange rate	31 December 2010
Property, plant and equipment	1,458,213	(144,351)	-	(60)	1,313,802
Intangible assets	114,227	(12,752)	-	-	101,475
Investment property under development	100,791	(111,993)	-	-	(11,202)
Investment property	345,090	3,602	-	-	348,692
Investments	-	356	(356)	-	-
Inventories	(240,487)	106,350	(689)	-	(134,826)
Trade and other receivables	(337,757)	148,452	-	-	(189,305)
Loans and borrowings	(77,010)	61,385	-	-	(15,625)
Provisions	(8,721)	(138)	-	46	(8,813)
Trade and other payables	(141,841)	(39,300)	-	-	(181,141)
Tax loss carry-forwards	(610,714)	(425,792)	(13,750)	4,820	(1,045,436)
	601,791	(414,181)	(14,795)	4,806	177,621

’000 RUB	1 January 2009	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2009
Property, plant and equipment	1,627,530	(141,057)	(20,528)	(7,732)	1,458,213
Intangible assets	134,744	(20,517)	-	-	114,227
Investment property under development	502,343	(401,552)	-	-	100,791
Investment property	265,021	80,069	-	-	345,090
Investments	(2,009)	2,009	-	-	-
Inventories	(286,508)	46,112	(91)	-	(240,487)
Trade and other receivables	(298,710)	(39,077)	30	-	(337,757)
Loans and borrowings	(114,798)	37,788	-	-	(77,010)
Provisions	(9,705)	984	-	-	(8,721)
Trade and other payables	(276,154)	142,960	(8,647)	-	(141,841)
Tax loss carry-forwards	(172,558)	(440,353)	3,183	(986)	(610,714)
	1,369,196	(732,634)	(26,053)	(8,718)	601,791

’000 USD	1 January 2010	Recognised in profit or loss	Acquired	Effect of movements in exchange rate	31 December 2010
Property, plant and equipment	48,214	(4,753)	-	(353)	43,108
Intangible assets	3,776	(420)	-	(26)	3,330
Investment property under development	3,333	(3,688)	-	(13)	(368)
Investment property	11,410	119	-	(88)	11,441
Investments	-	12	(12)	-	-
Inventories	(7,950)	3,502	(23)	47	(4,424)
Trade and other receivables	(11,168)	4,888	-	69	(6,211)
Loans and borrowings	(2,546)	2,021	-	12	(513)
Provisions	(288)	(3)	-	2	(289)
Trade and other payables	(4,690)	(1,294)	-	40	(5,944)
Tax loss carry-forwards	(20,193)	(14,022)	(453)	365	(34,303)
	19,898	(13,638)	(488)	55	5,827

’000 USD	**1 January 2009**	**Recognised in profit or loss**	**Acquired/ disposed**	**Effect of movements in exchange rate**	**31 December 2009**
Property, plant and equipment	55,395	(4,447)	(647)	(2,087)	48,214
Intangible assets	4,586	(647)	-	(163)	3,776
Investment property under development	17,098	(12,658)	-	(1,107)	3,333
Investment property	9,020	2,524	-	(134)	11,410
Investments	(68)	63	-	5	-
Inventories	(9,752)	1,454	(3)	351	(7,950)
Trade and other receivables	(10,167)	(1,232)	1	230	(11,168)
Loans and borrowings	(3,907)	1,191	-	170	(2,546)
Provisions	(330)	31	-	11	(288)
Trade and other payables	(9,399)	4,506	(273)	476	(4,690)
Tax loss carry-forwards	(5,874)	(13,880)	100	(539)	(20,193)
	46,602	(23,095)	(822)	(2,787)	19,898

20 Inventories

	2010 ’000 RUB	**2009 ’000 RUB**	**2010 ’000 USD**	**2009 ’000 USD**
Work in progress, construction of buildings	37,585,913	42,794,692	1,233,259	1,414,972
Finished goods, construction of buildings	10,470,129	7,508,160	343,543	248,251
Raw materials and consumables	1,269,211	1,571,237	41,645	51,952
Finished goods and goods for resale	1,881,175	1,529,191	61,725	50,561
Work in progress	505,039	355,692	16,571	11,761
Lease incentives	1,110,026	1,366,727	36,422	45,190
	52,821,493	55,125,699	1,733,165	1,822,687
Write down of inventories in the current period	-	529,084	-	16,678

Inventories with a carrying amount of RUB 6,885,496 thousand /USD 225,925 thousand are subject to a registered debenture to secure bank loans (31 December 2009: RUB 6,050,773 thousand /USD 200,064 thousand) (refer to note 26).

21 Trade and other receivables

	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
Non-current				
Accounts receivable - trade	1,142	5,791	37	191
Prepayments to suppliers	583,436	800,643	19,144	26,472
Notes receivable on disposals of subsidiaries	122,088	-	4,006	-
Other receivables	102,021	1,134,317	3,347	37,506
	808,687	1,940,751	26,534	64,169
Current				
Prepayments for flats	1,610,438	1,231,753	52,841	40,727
Accounts receivable – trade	2,229,608	2,061,310	73,157	68,156
Prepayments to suppliers	1,650,125	1,384,190	54,143	45,767
VAT receivable	824,763	796,205	27,062	26,326
Deferred expenses	132,122	814,635	4,335	26,935
Notes receivable	965,377	1,417,184	31,676	46,858
Amounts due from customers for contract work	421,742	1,155,758	13,838	38,214
Employee receivables	6,281	5,383	206	178
Current receivables on disposals of subsidiaries	-	29,531	-	976
Other receivables	2,217,548	1,269,579	72,763	41,978
	10,058,004	10,165,528	330,021	336,115
Provision for doubtful debtors	(945,880)	(836,755)	(31,036)	(27,667)
	9,112,124	9,328,773	298,985	308,448

Prepayments for flats acquired for resale include RUB 716,649 thousand / USD 23,514 thousand for flats that will be received after 12 months from the balance sheet date (31 December 2009: RUB 439,892 thousand / USD 14,545 thousand).

Other current receivables include the advance of RUB 915,279 thousand / USD 30,032 thousand (31 December 2009: RUB 903,154 thousand / USD 29,862 thousand) paid to CERIC S.A. for the supply of equipment for the new brick-making plant. This advance was reclassified from property, plant and equipment as management believes that due to the bankruptcy of CERIC S.A. the Group will receive back cash on bank guarantee rather than equipment (refer to note 32 (b)).

Non-current receivables on disposals of subsidiaries include discounted amount of receivables from sale of Aeroc International AS with discount rate 4.42%.

There are no receivables which are subject to a registered debenture to secure bank loans as of 31 December 2010 (31 December 2009: RUB 25,344 thousand /USD 838 thousand) (refer to note 26).

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 29.

22 Cash and cash equivalents

	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
Petty cash	3,239	8,184	106	271
Current accounts	921,115	681,975	30,224	22,549
Call deposits	402,785	2,205,391	13,216	72,919
Cash and cash equivalents in the statement of financial position	1,327,139	2,895,550	43,546	95,739
Cash and cash equivalents in the statement of cash flows	1,327,139	2,895,550	43,546	95,739

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

23 Restricted cash

	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
Non-current				
Restricted cash	11	396,487	-	13,110
Current				
Restricted cash	191,665	35	6,289	1
	191,676	396,522	6,289	13,111

Cash in amount of RUB 191,665 thousand / USD 6,289 thousand is restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals.

Restricted cash per year 2009 includes the amount of RUB 396,487 thousand /USD 13,110 thousand which was reserved in connection with confirmed irrevocable letters of credit issued by the Group’s bankers on building of Cement Plant in Leningrad Region. The restriction expired before 31 December 2010.

24 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	31 December 2010	**31 December 2009**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the period	93,663,832	93,663,832
Issued during the period and fully paid	9,366,383	-
On issue at end of the period, fully paid	103,030,215	93,663,832

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

In April 2010 Federal Service on Financial Markets (FSFR of Russian Federation) registered the additional issue of ordinary shares.

In May 2010 the Group completed its secondary public offering of 9,366,383 ordinary shares at value USD 42.5 each and placed global depository receipts (“GDR`s”) on the London Stock Exchange as well as shares on the Russian stock exchanges RTS and MICEX. As a result of the offering the Group received cash net of costs of issuing new shares in the amount of RUB 11,848,028 thousand / USD 390,133 thousand.

The appropriate changes were made to the Company’s charter capital in relation to new shares issued. Additional paid in capital reserve formed from proceeds from the issue was transferred to share capital and share premium after appropriate changes were made to the Company's charter documents. For the purpose of calculating earnings per share the share issuance was taken into account from 11 May 2010, as described in note 25.

(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 31 December 2010 the Company had retained earnings, including the profit for the current period, of RUB 6,084,127 thousand / USD 199,631 thousand (as at 31 December 2009: RUB 97,048 thousand / USD 3,209 thousand).

25 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 24 (a). The Company has no dilutive potential ordinary shares.

	2010	**2009**
Issued shares at 1 January	93,663,832	93,663,832
Effect of shares issued in May 2010	6,030,411	-
Weighted average number of shares for the year ended 31 December	99,694,243	93,663,832

26 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, refer to note 29.

	2010	2009	2010	2009
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Non-current				
Secured bank loans	23,599,818	21,861,290	774,351	722,826
Unsecured bank loans	420,000	2,000,000	13,781	66,128
Unsecured other loans	-	597	-	20
Unsecured bond issues	3,500,000	-	114,841	-
Finance lease liability	194,665	571,586	6,387	18,899
	27,714,483	24,433,473	909,360	807,873
Current				
Secured bank loans	343,759	8,583,432	11,280	283,804
Unsecured bank loans	280,000	3,165,179	9,187	104,654
Unsecured other loans	56,649	43,514	1,859	1,439
Unsecured bond issue	3,000,856	2,669,990	98,463	88,281
Finance lease liability	307,307	645,303	10,083	21,337
	3,988,571	15,107,418	130,872	499,515

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2010		31 December 2009	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	5.00% - 6.25%	2011-2012	367,336	367,336	5,809,416	5,809,416
	USD	10.00% Libor+5.50%/7.81%	2011-2019	8,546,368	8,546,368	13,290,977	13,290,977
	RUB	8.75% - 10.00% CBR rate+3%	2011-2019	15,029,873	15,029,873	11,339,481	11,339,481
	Other	-	-	-	-	4,848	4,848
Unsecured facility	USD	-	-	-	-	1,285,379	1,285,379
	RUB	0 – 13.50%	2011-2013	7,257,505	7,257,505	6,593,901	6,593,901
Finance lease liability		6.30 – 48.90%	2011-2015	501,972	501,972	1,216,889	1,216,889
				31,703,054	31,703,054	39,540,891	39,540,891

				31 December 2010		31 December 2009	
’000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	5.00% - 6.25%	2011-2012	12,053	12,053	192,084	192,084
	USD	10.00% Libor+5.50%/7.81%	2011-2019	280,422	280,422	439,455	439,455
	RUB	8.75% - 10.00% CBR rate+3%	2011-2019	493,156	493,156	374,931	374,931
	Other	-	-	-	-	160	160
Unsecured facility	USD	-	-	-	-	42,500	42,500
	RUB	0 – 13.50%	2011-2013	238,131	238,131	218,022	218,022
Finance lease liability		6.30 – 48.90%	2011-2015	16,470	16,470	40,236	40,236
				1,040,232	1,040,232	1,307,388	1,307,388

Covenants and other matters

The Credit Agreements require the Group to comply with certain general, informational and financial covenants, including:

- a limitation on the Group ability to incur additional debt beyond a certain financial ratios;
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;
- a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

’000 RUB	31 December 2010			31 December 2009		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	368,601	61,294	307,307	813,046	167,743	645,303
Between one and five years	226,961	32,296	194,665	692,896	121,310	571,586
	595,562	93,590	501,972	1,505,942	289,053	1,216,889

’000 USD	31 December 2010			31 December 2009		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	12,094	2,011	10,083	26,883	5,546	21,337
Between one and five years	7,447	1,060	6,387	22,910	4,011	18,899
	19,541	3,071	16,470	49,793	9,557	40,236

Bank loans are secured by the following:

– Property, plant and equipment with a carrying amount of RUB 1,104,044 thousand /USD 36,226 thousand is pledged as collateral to secure bank loans (31 December 2009: RUB 7,732,231 thousand / USD 255,660 thousand) – refer to note 14(b).
– As of 31 December 2010 there are no investment properties under development pledged as collateral to secure bank loans (31 December 2009: RUB 212,337 thousand / USD 7,021 thousand) – refer to note 16.
– As of 31 December 2010 there are no investment properties pledged as collateral to secure bank loans (31 December 2009: 2,304,827 thousand / USD 76,207 thousand) – refer to note 17.
– Inventories with a carrying amount of RUB 6,885,496 thousand / USD 225,925 thousand are pledged as collateral to secure bank loans. (31 December 2009: RUB 6,050,773 thousand / USD 200,064 thousand) – refer to note 20.
– As of 31 December 2010 there are no intangibles pledged as collateral to secure bank loans (31 December 2009: RUB 2,443 thousand / USD 81 thousand) – refer to note 15.
– As of 31 December 2010 there are no receivables pledged as collateral to secure bank loans (31 December 2009: RUB 25,344 thousand / USD 838 thousand) – refer to note 21.

The finance lease liabilities are secured by the leased assets (refer to note 14(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as of 31 December 2010:

– 50.00% + 1 share of OAO “Granit-Kuznechnoye”;
– 50.00% + 1 share of ZAO “DSK “Blok”;
– 50,00% + 1 share of OAO SKV SPb
– 100.00% of OOO “Martynovka”;
– 100.00% of ZAO “Promyshlenny leasing” (formerly OOO “Promyshlenny leasing”);
– 100.00% of LLC “Cement”.

27 Provisions

’000 RUB	**Site restoration**	**Environment restoration**	**Warranty provision**	**Total**
Current				
Balance at 1 January 2010	553,861	5,797	6,421	566,079
Provisions made during the period	1,059,830	-	403	1,060,233
Provisions used during the period	(1,053,184)	(5,797)	-	(1,058,981)
Exchange differences (+/-)	-	-	(451)	(451)
Balance at 31 December 2010	560,507	-	6,373	566,880
Non-current				
Balance at 1 January 2010	-	741	-	741
Change in amount discounted	-	4,234	-	4,234
Balance at 31 December 2010	-	4,975	-	4,975

’000 USD	Site restoration	Environment restoration	Warranty provision	Total
Current				
Balance at 1 January 2010	18,313	192	212	18,717
Provisions made during the period	34,898	-	13	34,911
Provisions used during the period	(34,679)	(191)	-	(34,870)
Effect of movements in exchange rates	(141)	(1)	(16)	(158)
Balance at 31 December 2010	18,391	-	209	18,600
Non-current				
Balance at 1 January 2010	-	25	-	25
Change in amount discounted	-	139	-	139
Effect of movements in exchange rates	-	(1)	-	(1)
Balance at 31 December 2010	-	163	-	163

(a) Warranty provision

The provision for warranties relates mainly to the residential units sold during the period. The provision is based on estimates made from historical warranty data associated with similar products and services and is required under the German legislation. The Group expects the resulting outflow of economic benefits over the next year. For the production companies warranty provision relates to the construction works done.

(b) Site restoration

The Group records provisions in respect of the Group’s obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment buildings in St. Petersburg, Moscow, Yekaterinburg and Leningrad region.

(c) Environment restoration

The Group records 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. The amount of provision is estimated based on the average cost of past restoration works and current information available. The Group expects the resulting outflow of economic benefits over the next five years.

28 Trade and other payables

	2010 ’000 RUB	2009 ’000 RUB	2010 ’000 USD	2009 ’000 USD
Non-current payables				
Notes payable long-term	194,261	-	6,374	-
Other payables	-	453	-	15
	194,261	453	6,374	15
Current payables				
Prepayments received for flats	8,937,683	17,621,161	293,262	582,630
Accounts payable trade	3,185,745	3,784,067	104,530	125,117
Advances from customers	2,731,010	1,786,315	89,609	59,063
Notes payable	124,882	18,334	4,098	606
Employee-related liabilities	582,747	516,545	19,121	17,079
Other taxes payable	818,765	1,537,882	26,865	50,849
Non-controlling interest in limited liability subsidiaries	55,198	55,213	1,811	1,826
Accounts due to customers for contract work	428,425	1,560,702	14,057	51,603
Interest payable	973,927	480,824	31,956	15,899
Deferred income	61,003	86,811	2,002	2,870
Other payables	882,651	735,826	28,960	24,329
	18,782,036	28,183,680	616,271	931,871

Prepayments received for flats include RUB 2,126,552 thousand / USD 69,776 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2009: RUB 880,398 thousand / USD 29,110 thousand).

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

29 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statement.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. One customer of the Group's construction segment represents approximately RUB 7,005,719 thousand / USD 230,685 thousand or more than 10% of the Group's revenue (refer to note 5 (c)). Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Managing Directors; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Most of the Group's customers in the Building Materials, Construction and Aggregates segments have been transacting with the Group for over four years, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not have a unified policy for management of credit risk in place. Due to significant differences in operations at different business units specific credit policies are developed at the level of operational companies. Each of the operating companies has established procedures in place to review and collect outstanding receivables. New customers, as well as customers with significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place. All companies involved in the extraction and production of building materials have in place credit control procedures which require them to cancel despatching goods in case of the absence of a signed contract, previous fail to pay or previous violations of contract conditions. Also certain limits for the accounts receivable are established for particular customers.

In the Real Estate Development segment most sales are on prepayment and cash basis, as the customers are individuals.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures.

(ii) Investments

The Group does not invest any of its assets in traded securities. It limits its exposure to credit risk by only investing in securities and only with counterparties that are known to them and that have an appropriate reputation in the market. Management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to its own subsidiaries. At 31 December 2010 no guarantees were outstanding (31 December 2009: none).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 RUB	**Carrying amount**	
	31 December 2010	**31 December 2009**
Available-for-sale financial assets	18,595	13,943
Loans and receivables	5,358,509	6,544,775
Held to maturity investments	25,961	-
Cash and cash equivalents	1,327,139	2,895,550
Restricted cash	191,676	396,522
	6,921,880	9,850,790

'000 USD	**Carrying amount**	
	31 December 2010	**31 December 2009**
Available-for-sale financial assets	610	461
Loans and receivables	175,822	216,399
Held to maturity investments	852	-
Cash and cash equivalents	43,546	95,739
Restricted cash	6,289	13,111
	227,119	325,710

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

’000 RUB	Carrying amount	
	31 December 2010	31 December 2009
Domestic	1,595,330	1,430,224
Euro-zone countries	39,002	34,233
Other CIS countries	19,314	90,594
	1,653,646	1,555,051

’000 USD	Carrying amount	
	31 December 2010	31 December 2009
Domestic	52,344	47,290
Euro-zone countries	1,280	1,132
Other CIS countries	634	2,995
	54,258	51,417

The Group’s most significant trade debtor, OOO “NSK-Monolith”, accounts for RUB 32,829 thousand / USD 1,077 thousand of the trade receivables carrying amount at 31 December 2010 (31 December 2009: RUB 77,187 thousand / USD 2,552 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 577,104 thousand / USD 18,936 thousand (31 December 2009: RUB 512,050 thousand / USD 16,930 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	’000 RUB	’000 RUB	’000 RUB	’000 RUB
Not past due	851,625	2,110	732,927	2,753
Past due 0-30 days	358,067	1,909	267,793	836
Past due 31-150 days	573,753	161,709	390,502	33,580
Past due more than 150 days	447,305	411,376	675,879	474,881
	2,230,750	577,104	2,067,101	512,050

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	’000 USD	’000 USD	’000 USD	’000 USD
Not past due	27,942	69	24,234	91
Past due 0-30 days	11,749	63	8,854	28
Past due 31-150 days	18,826	5,306	12,912	1,110
Past due more than 150 days	14,677	13,498	22,347	15,701
	73,194	18,936	68,347	16,930

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2010	**2009**
	’000 RUB	**’000 RUB**
Balance at 1 January	(512,050)	(78,270)
Impairment loss recognised	(65,054)	(433,780)
Balance at 31 December	(577,104)	(512,050)

	2010	**2009**
	’000 USD	**’000 USD**
Balance at 1 January	(16,930)	(2,664)
Impairment loss recognised	(2,142)	(13,674)
Effect of movements in exchange rates	136	(592)
Balance at 31 December	(18,936)	(16,930)

The impairment loss at 31 December 2010 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers’ credit ratings.

The movement in the allowance for impairment in respect of advances paid and other receivables during the period was as follows:

	2010	**2009**
	’000 RUB	**’000 RUB**
Balance at 1 January	(324,705)	(68,177)
Impairment (loss) / reversal	(44,071)	(256,528)
Balance at 31 December	(368,776)	(324,705)

	2010	**2009**
	’000 USD	**’000 USD**
Balance at 1 January	(10,737)	(2,321)
Impairment (loss) / reversal	(1,451)	(8,086)
Effect of movements in exchange rates	88	(330)
Balance at 31 December	(12,100)	(10,737)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 31 December 2010 the Group's undrawn short-term credit facilities amount is RUB 5,222,164 thousand / USD 171,348 thousand (31 December 2009: RUB 2,101,193 thousand / USD 69,474 thousand) from Russian, and Ukrainian banks. Interest would be payable at the rate of 6% to 9.50%.

Prepayments received for flats in 2009 included advance payments in the amount of RUB 3,092,328 thousand / USD 102,245 thousand received by OOO "GDSK" from the Ministry of Defence per government contracts. In 2010 the Group completed real estate construction under the contract, and set off the advance payments with receivables for flats.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 December 2010	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	6,252,162	7,111,725	13,363,887
RUB	CBR rate+3%	10.75%	104,123	832,992	728,871	1,665,986
USD*	10.00%	10.00%	-	1,134,975	2,239,275	3,374,250
USD	Libor+5.50%/ 7.81%	8.68%	66,516	3,558,420	1,547,182	5,172,118
EUR*	5.00% - 6.25%	5.94%	173,120	194,216	-	367,336
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 0.10%	0.00%	56,649	-	-	56,649
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	3,000,856	3,500,000	-	6,500,856
Finance lease liabilities						
RUB*	6.30%-48.93%	18.44%	307,307	194,665	-	501,972
Trade and other payables		0.00%-6.15%	5,222,403	194,261	-	5,416,664
Future interests**		-	2,814,880	7,175,234	554,654	10,544,768
			12,025,854	23,456,925	12,181,707	47,664,486

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2010.

31 December 2009	**Average interest rate**					
'000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.95%-17.30%	12.8%	7,643,153	3,696,328	-	11,339,481
USD*	9.00% - 12.00%	11.4%	362,931	8,468,377	-	8,831,308
USD	Libor + 5.50% / 7.81%	8.64%	450,941	3,650,414	358,314	4,459,669
EUR*	7.00%-17.50%	7.57%	41,345	2,702,125	2,472,313	5,215,783
EUR	Euribor + 1.50% / 7.75%	4.67%	84,722	508,911	-	593,633
Other*	2.80% - 6.00%	5.89%	340	1,185	3,323	4,848
Unsecured bank loans:						
RUB*	6.00% - 13.20%	12.84%	1,879,800	2,000,000	-	3,879,800
USD	Libor + 8.25%	8.7%	1,285,379	-	-	1,285,379
Unsecured other loans:						
RUB*	0.0%-0.01%	0.00%	43,514	-	597	44,111
Unsecured bond issues:						
RUB*	13.25%-17.00%	13.25%	2,669,990	-	-	2,669,990
Secured bond issues:						
Finance lease liabilities						
RUB*	6.30 – 49.70%	18.31%	645,303	571,586	-	1,216,889
Trade and other payables		-	5,074,264	453	-	5,074,717
Future interests**		-	3,355,309	4,227,849	105,598	7,688,756
			23,536,991	25,827,228	2,940,145	52,304,364

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2009.

31 December 2010	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	205,144	233,348	438,492
RUB	CBR rate+3%	10.75%	3,416	27,332	23,916	54,664
USD*	10.00%	10.00%	-	37,241	73,475	110,716
USD	Libor+5.50%/ 7.81%	8.68%	2,184	116,756	50,766	169,706
EUR*	5.00% - 6.25%	5.94%	5,680	6,373	-	12,053
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	9,187	13,781	-	22,968
Unsecured other loans:						
RUB*	0.0%-0.10%	0.00%	1,859	-	-	1,859
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	98,463	114,841	-	213,304
Finance lease liabilities						
RUB*	6.30% - 48.93%	18.44%	10,083	6,387	-	16,470
Trade and other payables		0.00%-6.15%	171,355	6,374	-	177,729
Future interests**		-	92,360	235,432	18,199	345,991
			394,588	769,661	399,704	1,563,953

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2010.

31 December 2009 **Average interest rate**

’000 USD	Contractual	Effective	Less than 1 year	1-5 years	Over 5 years	Total
Secured bank loans:						
RUB*	8.95%-17.30%	12.80%	252,715	122,216	-	374,931
USD*	9.00%-12.00%	11.40%	12,000	280,000	-	292,000
USD	Libor + 5.5% / 7.81%	8.64%	14,910	120,698	11,847	147,455
EUR*	7.00%-17.50%	7.57%	1,367	89,344	81,745	172,456
EUR	Euribor + 1.50% / 7.75%	4.67%	2,801	16,827	-	19,628
Other*	2.80%-6.00%	5.89%	11	39	110	160
Unsecured bank loans:						
RUB*	6.00%-13.20%	12.84%	62,154	66,128	-	128,282
USD	Libor +8.25% 8	8.70%	42,500	-	-	42,500
Unsecured other loans:						
RUB*	0.00%-0.01%	0.00%	1,439	-	20	1,459
Unsecured bond issues:						
RUB*	13.25%-17.00%	13.25%	88,281 -	-	-	88,281
Secured bond issues:						
Finance lease liabilities						
RUB*	6.30%-49.70%	18.31%	21,337	18,899	-	40,236
Trade and other payables		-	167,777	15	-	167,792
Future interests**		-	110,941	139,790	3,492	254,223
			778,233	853,956	97,214	1,729,403

* Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2009.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), but also Euro, Estonian Krone (EEK) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are Euro and USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUB, but also EUR and USD. This provides an economic hedge and no derivatives are entered into.

Exposure to currency risk

The Group's exposure to currency risk was as follows based on principal amounts:

31 December 2010 ’000 RUB	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,137,781	1,077,498	6	681
Originated loans	142,543	-	-	-
Secured bank loans	(15,029,873)	(367,336)	(8,546,368)	-
Unsecured bank loans	(700,000)	-	-	-
Unsecured other loans	(56,649)	-	-	-
Unsecured bond issues	(6,500,856)	-	-	-
Finance lease liabilities	(501,972)	-	-	-
Trade and other payables	(4,758,403)	(359,171)	(297,071)	(2,019)
Gross balance sheet exposure	(23,267,429)	350,991	(8,843,433)	(1,338)

31 December 2009 ’000 RUB	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	5,415,739	922,115	-	47,620
Originated loans	159,301	-	-	-
Secured bank loans	(11,339,481)	(5,809,416)	(13,290,977)	(4,848)
Unsecured bank loans	(3,879,800)	-	(1,285,379)	-
Unsecured other loans	(44,111)	-	-	-
Unsecured bond issues	(2,669,990)	-	-	-
Finance lease liabilities	(1,216,889)	-	-	-
Trade and other payables	(4,936,834)	(34,721)	(7,467)	(95,695)
Gross balance sheet exposure	(18,512,065)	(4,922,022)	(14,583,823)	(52,923)

31 December 2010 **’000 USD**	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	135,768	35,355	-	22
Originated loans	4,677	-	-	-
Secured bank loans	(493,156)	(12,053)	(280,422)	-
Unsecured bank loans	(22,968)	-	-	-
Unsecured other loans	(1,859)	-	-	-
Unsecured bond issues	(213,304)	-	-	-
Finance lease liabilities	(16,470)	-	-	-
Trade and other payables	(156,131)	(11,785)	(9,747)	(66)
Gross balance sheet exposure	(763,443)	11,517	(290,169)	(44)

31 December 2009 **’000 USD**	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	179,067	30,489	-	1,575
Originated loans	5,268	-	-	-
Secured bank loans	(374,931)	(192,084)	(439,455)	(160)
Unsecured bank loans	(128,282)	-	(42,500)	-
Unsecured other loans	(1,459)	-	-	-
Unsecured bond issues	(88,281)	-	-	-
Finance lease liabilities	(40,236)	-	-	-
Trade and other payables	(163,233)	(1,148)	(247)	(3,164)
Gross balance sheet exposure	(612,087)	(162,743)	(482,202)	(1,749)

The following significant exchange rates applied during the period:

	31 December 2010	**31 December 2009**
	RUB	**RUB**
1 USD equals	30.4769	30.2442
1 Euro equals	40.3331	43.3883
1 EEK equals	2.5776	2.74374

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 849,378 thousand / USD 27,870 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) 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.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

'000 RUB	**Carrying amount**	
	31 December 2010	**31 December 2009**
Fixed rate instruments		
Financial assets	187,099	173,244
Financial liabilities	(24,864,950)	(33,202,210)
	(24,677,851)	(33,028,966)
Variable rate instruments		
Financial liabilities	(6,838,104)	(6,338,681)

'000 USD	**Carrying amount**	
	31 December 2010	**31 December 2009**
Fixed rate instruments		
Financial assets	6,139	5,729
Financial liabilities	(815,862)	(1,097,805)
	(809,723)	(1,092,076)
Variable rate instruments		
Financial liabilities	(224,370)	(209,583)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2009.

’000 RUB	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2010		
Variable rate instruments	(68,381)	68,381
Cash flow sensitivity	(68,381)	68,381
Year ended 31 December 2009		
Variable rate instruments	(63,387)	63,387
Cash flow sensitivity	(63,387)	63,387

’000 USD	**Profit or loss**	
	100 bp increase	**100 bp decrease**
Year ended 31 December 2010		
Variable rate instruments	(2,244)	2,244
Cash flow sensitivity	(2,244)	2,244
Year ended 31 December 2009		
Variable rate instruments	(2,096)	2,096
Cash flow sensitivity	(2,096)	2,096

(e) Fair values versus carrying amounts

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

’000 RUB	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial assets					
Available-for-sale financial assets	18	18,595	18,595	13,943	13,943
Loans and receivables		5,358,509	5,358,509	6,544,775	6,544,775
Held to maturity investments	18	25,961	25,961	-	-
Cash and cash equivalents	22	1,327,139	1,327,139	2,895,550	2,895,550
Restricted cash	23	191,676	191,676	396,522	396,522
		6,921,880	6,921,880	9,850,790	9,850,790
Financial liabilities					
Secured bank loans	26	(23,943,577)	(26,484,350)	(30,444,722)	(29,294,838)
Unsecured bank loans	26	(700,000)	(728,078)	(5,165,179)	(4,897,591)
Unsecured other loans	26	(56,649)	(52,943)	(44,111)	(38,509)
Unsecured bond issues	26	(6,500,856)	(6,935,497)	(2,669,990)	(2,519,375)
Trade and other payables	28	(5,416,664)	(5,416,664)	(5,074,717)	(5,074,717)
Finance lease liabilities	26	(501,972)	(501,972)	(1,216,889)	(1,216,889)
		(37,119,718)	(40,119,504)	(44,615,608)	(43,041,919)

’000 USD	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial assets					
Available-for-sale financial assets	18	610	610	461	461
Loans and receivables		175,822	175,822	216,399	216,399
Held to maturity investments	18	852	852	-	-
Cash and cash equivalents	22	43,546	43,546	95,739	95,739
Restricted cash	23	6,289	6,289	13,111	13,111
		227,119	227,119	325,710	325,710

’000 USD	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Financial liabilities					
Secured bank loans	26	(785,631)	(868,997)	(1,006,630)	(968,610)
Unsecured bank loans	26	(22,968)	(2,389)	(170,782)	(161,935)
Unsecured other loans	26	(1,859)	(1,737)	(1,459)	(1,273)
Unsecured bond issues	26	(213,304)	(227,566)	(88,281)	(83,301)
Trade and other payables	28	(177,729)	(177,730)	(167,792)	(167,792)
Finance lease liabilities	26	(16,470)	(16,470)	(40,236)	(40,236)
		(1,217,961)	(1,294,889)	(1,475,180)	(1,423,147)

The interest rates used to discount estimated cash flows, where applicable, are based on marginal borrowing rates, available for the Group as at:

	31 December 2010	31 December 2009
Loans and borrowings	6.4% - 7.0%	9.0% - 13.0%
Leases	6.30% - 49.70%	6.30% - 49.70%

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;

- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit, to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

The Group's liabilities to adjusted capital ratio at the end of the reporting period were as follows:

	2010	**2009**	**2010**	**2009**
	'000 RUB	**'000 RUB**	**'000 USD**	**'000 USD**
Total liabilities	53,076,124	70,693,324	1,741,519	2,337,419
Less: cash and cash equivalents	(1,327,139)	(2,895,550)	(43,546)	(95,739)
Net liabilities	51,748,985	67,797,774	1,697,973	2,241,680
Total equity	53,143,556	39,621,092	1,743,732	1,310,039
Net liabilities to capital ratio	0.97	1.71	0.97	1.71

30 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	**2010**	**2009**
Less than one year	147,657	195,312
Between one and five years	404,278	379,261
More than five years	1,360,368	1,176,826
	1,912,303	1,751,399

’000 USD	2010	2009
Less than one year	4,845	6,458
Between one and five years	13,265	12,540
More than five years	44,636	38,911
	62,746	57,909

The Group leases a number of land plots under operating leases. The leases typically vary from an initial period of four to forty nine years, with an option to renew the lease after that date. Lease payments are usually fixed.

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the year ended 31 December 2010 an amount of RUB 66,073 thousand / USD 2,176 thousand was recognised as an expense in the statement of comprehensive income in respect of non-cancellable operating leases. During the year ended 31 December 2010 an amount of RUB 189,876 thousand / USD 6,252 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

31 Commitments

At 31 December 2010, the Group was committed to purchase property, plant and equipment for approximately RUB 2,752,120 thousand / USD 90,302 thousand (31 December 2009: RUB 5,032,827 thousand / USD 166,406 thousand) net of VAT, including commitment to purchase equipment for a new cement plant for RUB 1,634,910 thousand / USD 53,644 thousand (31 December 2009: RUB 3,247,672 thousand / USD 107,382 thousand) and commitment to purchase equipment for a new brick-making plant for RUB 1,077,659 thousand / USD 35,360 thousand (31 December 2009: RUB 1,159,291 thousand / USD 38,331 thousand).

32 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

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. The amount under dispute excluding penalties comprised of RUB 1,578,888 thousand / USD 51,806 thousand (31 December 2009: RUB 1,845,969 thousand / USD 61,035 thousand), including the amount of prepayment to CERIC S.A. of RUB 997,676 thousand /

USD 32,735 thousand (31 December 2009: RUB 1,073,249 thousand / USD 35,486 thousand) (RUB 915,279 thousand / USD 30,032 thousand at amortised cost). In response CERIC S.A. initiated counter-claim to the Group subsidiary for the amount of RUB 1,263,098 thousand / USD 41,444 thousand (31 December 2009: RUB 1,720,433 thousand / USD 56,885 thousand). It is probable that the Group will recover the amount of prepayment and will not incur liabilities under these litigations and no amount has been written off or provided in connection with the Group's obligation under these litigations.

Except for the arbitration above, other litigations include 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 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, which 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.

The Group companies entered into transactions involving other Group companies at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules, but could be significant. Management has not made any provision because it believes there will be no outflow of funds relating to any such assessment.

(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.

The Group is engaged in crushed stone production and extraction of clay in ten 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 financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2011 to 2027.

33 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 7.62% of the voting shares of the Group. (31 December 2009: 13.65%).

(i) Management remuneration

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

	2010	2009	2010	2009
	’000 RUB	’000 RUB	’000 USD	’000 USD
Salaries and bonuses	516,397	346,839	17,004	10,933

(ii) Other transactions

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Sale of goods and services provided to:	40,277	95,654	(32,799)	(292,816)	1,326	3,015	(1,076)	(9,682)
Purchase of goods and services from:	101	34	4,370	4,370	3	1	143	144
Loans received (included into unsecured other loans – refer to note 26) from	6,300	-	14,059	15,066	207	-	461	498
Loans given to related parties	31,173	19,670	33,922	12,485	1,026	620	1,113	413
Purchase of shares from	396,711	-	-	-	13,063	-	-	-
Sale of shares to:	-	300,000	-	-	-	9,457	-	-
Purchase of note from	-	-	-	-	-	-	-	-
Sales of note from	-	-	6,025	-	-	-	198	-

As at 31 December 2010 loans to executive directors amounting to RUB 30,200 thousand /USD 991 thousand are included in “employee receivables” and “other receivables” (31 December 2009: RUB 12,485 thousand /USD 413 thousand) (refer to note 21). Interest of 8.5% - 13% p.a. was payable on these loans. The loans were expected to be repaid within 1-4 years.

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	14,090	445,952	(31,994)	11,281	464	14,058	(1,050)	373
Companies significantly influenced by the Group key management	77,609	361,825	9,470	332	2,556	11,406	311	11
	91,699	807,777	(22,524)	11,613	3,020	25,464	(739)	384

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

(ii) Expenses

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	31 December 2010 ’000 RUB	31 December 2009 ’000 RUB	31 December 2010 ’000 RUB	31 December 2009 ’000 RUB	31 December 2010 ’000 USD	31 December 2009 ’000 USD	31 December 2010 ’000 USD	31 December 2009 ’000 USD
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	38,632	179,215	14,839	87,880	1,272	5,649	487	2,906
Companies significantly influenced by the Group management	13,658	-	5,131	7,641	450	-	168	253
	52,290	179,215	19,970	95,521	1,722	5,649	655	3,159

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

(iii) Loans

	Transaction value period ended		**Outstanding balance**		**Transaction value period ended**		**Outstanding balance**	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 26):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	1,773,500	3,858,821	23,970	-	58,398	121,641	786	-
Companies significantly influenced by the Group management	-	-	-	25,472	-	-	-	842
Loans provided by A.Molchanov	1,509,281	-	-	-	49,698	-	-	-
	3,282,781	3,858,821	23,970	25,472	108,096	121,641	786	842
Loans given (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	(60,755)	(421)	(1,512)	-	(1,915)	(14)	(50)
Companies significantly influenced by the Group management	-	-	(599)	-	-	-	(20)	-
	-	(60,755)	(1,020)	(1,512)	-	(1,915)	(34)	(50)
	3,282,781	3,798,066	22,950	23,960	108,096	119,726	752	792

The loans from companies, significantly influenced by the Group management, and companies, controlled or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners, bear interest and are repayable based on contractual terms.

	Transaction value period ended		**Outstanding balance**		**Transaction value period ended**		**Outstanding balance**	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interests (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	18,770	53,332	-	34,412	618	1,681	-	1,138
Companies significantly influenced by the Group management	67	872	-	-	2	27	-	-
Interests provided to A.Molchanov	66,721	-	-	-	2,197	-	-	-
	85,558	54,204	-	34,412	2,817	1,708	-	1,138

The loans to companies, significantly influenced by the Group management, and companies, controlled, or significantly influenced by, or on behalf of, the Group’s ultimate beneficial owners bear interest and are repayable based on contractual terms. No discounting of the loans has been performed at the balance sheet date due to the short maturity of loans received and given.

(iv) Other investments

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Non-current available-for-sale investments stated at cost (included into other investments – originated loans category– refer to note 18):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	563	-	-	-	18	-
Companies significantly influenced by the Group management	-	3,282	3	481	-	103	-	16
	-	3,282	566	481	-	103	18	16

(v) Transactions with shares / promissory notes

Purchase of shares/promissory notes from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies significantly influenced by the Group management	97,742	967,291	708,288	932,269	3,218	30,492	23,240	30,825
	97,742	967,291	708,288	932,269	3,218	30,492	23,240	30,825

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	85	-	-	-	3	-	-	-
Companies significantly influenced by the Group management	174,562	-	-	-	5,748	-	-	-
	174,647	-	-	-	5,751	-	-	-

34 Significant subsidiaries

Entity	Country of incorporation	Ownership/voting interest 31 December 2010	Ownership/voting interest 31 December 2009
OAO “Gatchinsky DSK”	Russia	100.00%	100.00%
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG” (formerly OAO SKV SPb)	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
OAO NPO “Keramika” (formerly ZAO NPO “Keramika”)	Russia	100.00%	100.00%
OAO “Granit-Kuznechnoye”	Russia	100.00%	100.00%
OAO “Rudas”	Russia	100.00%	100.00%
“Leningrad river port Open Joint-Stock Company”	Russia	100.00%	100.00%
Joint-Stock Company “Scanex”	Russia	100.00%	100.00%
ZAO “Vertikal”	Russia	100.00%	100.00%
OAO “PO “Barrikada”	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OAO “UM-260” (formerly ZAO UM-260)	Russia	100.00%	100.00%
OOO “Obyedineniye 45” (formerly OAO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “MSR” (formerly ZAO Mosstroyrekonstruktsia)	Russia	100.00%	100.00%
OOO “GATP-1” (formerly OAO “GATP-1”)	Russia	100.00%	100.00%
JSC "Pobeda LSR" (formerly ZAO “Pobeda LSR”)	Russia	100.00%	100.00%
Aeroc International AS	Estonia	-	90.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LCC “Aeroc” ltd	Ukraine	100.00%	100.00%
Aeroc aktsiaselts	Estonia	-	100.00%
“Aeroc” SIA (formerly Aeroc Poribet SIA)	Latvia	-	100.00%
Joint-Stock Company “Petrobeton”	Russia	-	100.00%
OOO “Aeroc Kaliningrad”	Russia	-	100.00%
UAB “Aeroc”	Lithuania	-	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	100.00%	100.00%
ZAO “Stroitelny trest № 28”	Russia	79.17%	79.17%
OOO “Stroitelny trest № 28”*	Russia	50.00%	50.00%
ZAO “Promyshlenny leasing” (formerly OOO “Promyshlenny leasing”)	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/voting interest 31 December 2010	Ownership/voting interest 31 December 2009
ZAO “Martynovka” (formerly OOO “Martynovka”)	Russia	100.00%	100.00%
OAO “NKSM”	Russia	-	100.00%
ZAO NPO “VSR”	Russia	80.00%	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty 2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAO “Zavod ZhBI-6”	Russia	57.70%	57.70%
OOO “GDSK Invest Primorsky” (formerly OOO “GDSK Invest-49”)	Russia	100.00%	100.00%
ZAO “Zarechye”	Russia	100.00%	100.00%
OOO “LenSpecSMO Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO “VSMP” (formerly ZAO “ VSMP “)	Russia	100.00%	100.00%
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
ZAO “Obyedineniye 45-M”	Russia	100.00%	100.00%
OOO “LSR-Invest”	Russia	100.00%	100.00%
ZAO “Chifko plus”	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
JSC “A Plus Estate”	Russia	100.00%	100.00%
ZAO “INGEOKOM S-Pb”	Russia	100.00%	100.00%
OAO “Stroicorporatciya”	Russia	100.00%	100.00%
OAO MTO “ARHPROEKT”	Russia	100.00%	100.00%
LLC “LSR - UKRAINE”	Ukraine	100.00%	100.00%
OOO “Velikan-XXI vek”	Russia	100.00%	100.00%
OAO “ZAVOD ELEKTRIK”	Russia	100.00%	100.00%
ZAO “ZAVOD “STROIFARFOR”	Russia	100.00%	100.00%
OOO “BSK Invest-1”**	Russia	-	20.00%
OOO “BSK Invest-2”**	Russia	-	20.00%
OOO “BSK Invest-3”**	Russia	20.00%	20.00%
Limited Liability Company “Cement”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/voting interest 31 December 2010	Ownership/voting interest 31 December 2009
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “Ozherel’evskaya keramika”	Russia	100.00%	100.00%
OOO “Okhtinskiy Bereg”	Russia	100.00%	94.00%
Joint-Stock Company “Parkon”	Russia	-	100.00%
Lsr Group Ltd (formerly OOO LSR)	Russia	100.00%	100.00%
OOO “Ohta 25”	Russia	55.00%	55.00%
OOO Agentstvo “TRIADA”	Russia	100.00%	100.00%
OOO “Barrikada”	Russia	100.00%	100.00%
OOO “UK “LSR Ural” (former OOO “UK “NOVA GROUP”)	Russia	-	100.00%
OOO “Promrezerv”	Russia	100.00%	100.00%
OAO “Betfor”	Russia	98.80%	92.65%
OOO “SMU NOVA-stroy”	Russia	100.00%	100.00%
OOO “PKU NOVA-StroyProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “Granit-Invest”	Russia	100.00%	100.00%
OOO “Uralscheben”	Russia	100.00%	100.00%
JSC “Aeroc Obuchow”	Ukraine	97.36%	97.32%
OOO “Kentavr Management”	Russia	100.00%	100.00%
ZAO “Beton 45”	Russia	100.00%	100.00%
OOO “Vsevolozhskie Ugodia:”	Russia	99.99%	-
OOO “Rybkhoz”	Russia	99.99%	-
OOO “Karier Petrovskiy”	Russia	100.00%	-
Hiuki Holding LTD **	Cyprus	-	-
OOO ‘Kompleks’	Russia	99.99%	-
OOO ‘Optima’	Russia	99.99%	-
ZAO ‘HMR’	Russia	100.00%	-
Bereiteranger Vermogensverwaltungs GmbH	Germany	70.00%	-
Bereiteranger Projektentwicklung GmbH & Co.KG	Germany	70.00%	-
OOO “LSR Stroy”	Russia	100.00%	-
ZAO “KUZ ZhBI”	Russia	100.00%	-

* The Group controls OOO “Stroitelny trest № 28” as it has the power to appoint or remove the General Director, which is the ultimate governing body of the entity, and control is exercised through this body

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

35 Events subsequent to the reporting date

(a) Financing events

In January 2011 the Company entered into a loan agreement with OAO "Sberbank". The total amount of non-revolving credit line granted is limited to RUB 70,000 thousand / USD 2,297 thousand. The loan is to be repaid no later 13 July 2012.

In January 2011 one of the Group subsidiaries entered into a loan agreement with OAO "Sberbank". The total amount of revolving credit line granted is limited to RUB 1,300,000 thousand / USD 42,655 thousand. The loan is to be repaid no later 13 July 2012.

In February 2011 one of the Group subsidiaries early repaid a revolving credit line in OAO "Bank VTB Severo-Zapad" with a nominal value RUB 27,000 thousand / USD 886 thousand.

In February 2011 one of the Group subsidiaries entered into a loan agreement with OAO "Bank VTB Severo-Zapad". The total amount of revolving credit line granted is limited to RUB 21,000 thousand / USD 689 thousand. The loan is to be repaid no later 8 February 2013.

In February 2011 the Company entered into a loan agreement with OAO "Sberbank". The total amount of non-revolving credit line granted is limited to RUB 630,000 thousand / USD 20,671 thousand. The loan is to be repaid no later 27 July 2012.

In February 2011 one of the Group subsidiaries entered into a loan agreement with OAO "Sberbank". The total amount of overdraft granted is limited to RUB 40,000 thousand / USD 1,312 thousand. The overdraft is to be repaid no later 15 July 2011.

In March 2011 one of the Group subsidiaries early repaid a revolving credit line in OAO "Sberbank" with a nominal value RUB 282,500 thousand / USD 9,269 thousand.

In March 2011 the Group fully issued three-years bonds on domestic market. The total amount of the issue is RUB 2,000,000 thousand / USD 65,623 thousand. Coupon rate equals to 9.5%.

(b) Operating events

In February 2011 the Group Board of Directors approved the Agreement with Hadenam Service Limited on purchasing of OAO "Obuhovsky Zavod of Building Materials and Constructions". Total amount of the contract is RUB 118,000 thousand / USD 3,872 thousand.

In February 2011 the Group Board of Directors approved the Agreement with OAO "Glavnoe Upravleniye Obustroystva Voysk" on purchasing of OOO "436 KNI". Total amount of the contract is RUB 961,397 thousand / USD 31,545 thousand.

No control over above mentioned entities was passed to the Group at the date of these financial statements preparation.

36 Supplementary disclosures

The following Group entities are included in Segments and Business unit disclosures:

Segment	Business unit	Entity
Construction	Construction Spb	OAO “Gatchinsky DSK”
		ZAO “DSK “Blok”
	Construction Moscow	ZAO “MSR” (formerly ZAO Mosstroyrekonstruktsia)
	Construction Ural	OAO “Betfor”
		ZAO “KUZ ZhBI”
		OOO “SMU NOVA-stroy”
		OOO “PKU NOVA-StroyProekt”
Real Estate Development	Business Class and Mass Market Real Estate	ZAO “ZAVOD “STROIFARFOR”
		OAO “LSR”
		OAO “NPO Keramika”
		OOO “GDSK Invest Primorsky” (formerly OOO “GDSK Invest-49”)
		OOO “GDSK”
		OOO “Okhtinskiy Bereg”
	Real Estate in Western Europe	LSR Europe GmbH
		Max-Josephs-Hohe Immobilien-und Projektentwicklungs GmbH
		LSR Vermögensverwaltungs GmbH
		Oefelestrasse Projektetnwicklungs GmbH & Co KG
		Saargemunder Strabe Wohnbau Beteiligungs-GmbH
		Projektgesellschaft Bayerstr. 79 mbH
		Saargemunder Strabe Wohnbau Gmbh & Co. KG
		Bereiteranger Projektentwicklung GmbH & Co.KG
		Bereiteranger Vermogensverwaltungs GmbH
	Real Estate Urals	OOO “Investproekt”
		OOO “Promrezerv”
		ZAO “NOVA-stroy”
	Real Estate in Moscow	ZAO “MSR” (formerly ZAO Mosstroyrekonstruktsia)
		OOO Agentstvo “TRIADA”
		OOO “Velikan-XXI vek”
		OOO “Kentavr Management”
		ZAO “MSR-Butovo”
	Elite Real Estate	ZAO “INGEOKOM S-Pb”
		ZAO NPO “Vyborgstroyrekonsruktsiya”
		OAO “ZAVOD ELEKTRIK”

Segment	Business unit	Entity
		JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG" (formerly OAO SKV SPb)
		DNP “Alakul”
		“DNP “Penaty 2”
		ZAO “Zarechye”
		OOO “Osobnyak”
		OAO “Stroicorporatciya”
		ZAO “Martynovka”
		Limited Liability Company Smolniy District
		OOO “SPB GDC “YUNA”
		OOO “LenSpecSMO Promstroymontazh”
	Other	OOO “Kvartira LuxServis”
Aggregates	Sand	OOO “Vsevolozhskoye SMP”
		"Leningrad river port Open Joint-Stock Company"
		OOO “Vsevolozhskie Ugodia”
		OOO “Optima”
		OOO “Kompleks”
		OOO “Rybkhoz”
		OAO “Rudas”
	Crushed Granite	OAO “Granit-Kuznechnoye”
		OOO “Karier Petrovskiy”
		ZAO “HMR”
		OOO “Granit-Invest”
	Crushed Granite Ural	OOO “Uralscheben”
Building Materials	Other	OOO “BaltStroyKomplekt”
		OOO “Ohta 25”
		OOO “BSK Invest-1-3”
		ZAO “Vertikal”
	Ready-mix Concrete Spb	OAO “Obyedineniye 45”
	Aerated Concrete	UAB “Aeroc”
		Aeroc aktsiaselts (formerly Aeroc AS)
		Aeroc International AS
		“AEROC” SIA (formerly Aeroc Poribet SIA)
		Joint-Stock Company “Petrobeton”
		Joint-Stock Company "Scanex"
		OOO “Aeroc Kaliningrad”
		OOO “Aerok SPb”
		JSC “Aeroc Obuchow”

Segment	Business unit	Entity
		LCC "Aeroc" ltd (formerly Aeroc Ukraine)
	Reinforced Concrete Spb	OAO "NKSM"
		Joint-Stock Company "Parkon"
		OOO "Barrikada"
		OAO "PO "Barrikada"
	Reinforced& Ready-mix Concrete Moscow	OAO "Zavod ZhBI-6"
		ZAO "Beton 45"
		ZAO "Obyedineniye 45-M"
	Brick	Joint-Stock Company "Pobeda LSR" (formerly ZAO Pobeda LSR)
		OOO "Ozherel'evskaya keramika"
	Cement	ZAO "Chifko plus"
		Limited Liability Company "Cement"
Project management	Project management	OOO "LSR Stroy"
Commercial Real Estate	Commercial Real Estate	JSC "A Plus Estate"
Construction Services	Transportation	OOO "GATP-1"
	Pile foundation and construction	ZAO "Stroitelny trest № 28"
		OOO "Stroitelny trest № 28"
	Tower Cranes	OAO "UM-260" (formerly ZAO UM-260)
Other Entities	Other entities	ZAO "Kazanskaya, 36"
		ZAO "Promyshlenny leasing" (formerly OOO "Promyshlenny leasing")
		OJSC LSR Group
		OAO MTO "ARHPROEKT"
		Lsr Group Ltd (formerly OOO LSR)
		OOO "LSR-Invest"
		LLC "LSR - UKRAINE"
		Hiuki Holding LTD
		OOO "UK "LSR Ural"

Key financial performance indicators by business segment / business unit were as follows:

Year ended 31 December 2010 ’000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ amortisation	Change in fair value of investment property	EBITDA*
Brick	1,254,375	8,493	**1,262,868**	(64,432)	72,492	-	**8,060**
Reinforced Concrete Spb	3,002,270	251,118	**3,253,388**	192,675	162,787	-	**355,462**
Reinforced&Read-mix Concrete Moscow	1,016,297	550,775	**1,567,072**	(271,804)	133,727	-	**(138,077)**
Ready-mix Concrete Spb	1,912,282	89,142	**2,001,424**	(1,564)	230,927	-	**229,363**
Aerated Concrete	1,480,784	32,231	**1,513,015**	(95,690)	209,219	-	**113,529**
Cement	1,357,160	552,242	**1,909,402**	(18,872)	35,030	-	**16,158**
Other	560,551	87,216	**647,767**	(78,842)	14,914	-	**(63,928)**
Eliminations	-	(455,379)	**(455,379)**	469	-	-	**469**
Building Materials	**10,583,719**	**1,115,838**	**11,699,557**	**(338,060)**	**859,096**	**-**	**521,036**
Construction Spb	9,722,954	439,667	**10,162,621**	1,974,209	387,096	-	**2,361,305**
Construction Moscow	1,667,540	-	**1,667,540**	185,468	-	-	**185,468**
Construction Ural	774,730	439,989	**1,214,719**	(72,796)	213,265	-	**140,469**
Construction	**12,165,224**	**879,656**	**13,044,880**	**2,086,881**	**600,361**	**-**	**2,687,242**
Sand	1,996,316	209,033	**2,205,349**	758,734	272,217	-	**1,030,951**
Crushed Granite	1,107,639	479,085	**1,586,724**	19,717	189,394	-	**209,111**
Crushed Granite Ural	3,956	119	**4,075**	(63,077)	41,124	-	**(21,953)**
Eliminations	-	(88,685)	**(88,685)**	-	-		**-**
Aggregates	**3,107,911**	**599,552**	**3,707,463**	**715,374**	**502,735**	**-**	**1,218,109**
Tower Cranes	844,429	92,327	**936,756**	84,316	210,885	-	**295,201**
Transportation	7,349	192,928	**200,277**	6,331	45,506	-	**51,837**
Pile Foundation and Construction	331,367	76,131	**407,498**	(8,769)	30,764	-	**21,995**
Eliminations	-	(783)	**(783)**	-	-	-	**-**
Construction Services	**1,183,145**	**360,603**	**1,543,748**	**81,878**	**287,155**	**-**	**369,033**
Elite Real Estate	4,284,043	2	**4,284,045**	1,846,127	12,517	(37,974)	**1,896,618**
Business Class and Mass Market Real Estate	12,537,613	46,345	**12,583,958**	2,600,453	2,104	-	**2,602,557**
Real Estate Urals	2,283,972	1,059	**2,285,031**	292,079	1,006	-	**293,085**
Gated Communities	-	-	**-**	-	-	-	**-**
Real Estate Moscow	1,705,278	-	**1,705,278**	349,325	7,599	-	**356,924**
Real Estate in Western Europe	241,385	-	**241,385**	(14,104)	524	-	**(13,580)**
Other	77,393	26,584	**103,977**	8,040	1,140	-	**9,180**
Eliminations	-	(5,251)	**(5,251)**	5,144	-	-	**5,144**
Real Estate Development	**21,129,684**	**68,739**	**21,198,423**	**5,087,064**	**24,890**	**(37,974)**	**5,149,928**
Commercial Real Estate	**144,371**	**-**	**144,371**	**48,416**	**862**	**1,691**	**47,587**
Other	**15,331**	**-**	**15,331**	**(1,912)**	**105,429**	**-**	**103,517**
Unallocated Expenses	274,442	-	**274,442**	(1,082,421)	-	-	**(1,082,421)**
Transportation revenue	1,345,679	-	**1,345,679**	-	-	-	**-**
Eliminations	-	(3,024,388)	**(3,024,388)**	(326,772)	-	-	**(326,772)**
Consolidated	**49,949,506**	**-**	**49,949,506**	**6,270,448**	**2,380,528**	**(36,283)**	**8,687,259**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

Year ended 31 December 2010 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Depreciation/ Amortisation	Change in fair value of investment property	EBITDA*
Brick	41,304	280	**41,584**	(2,122)	2,387	-	**265**
Reinforced Concrete Spb	98,859	8,269	**107,128**	6,344	5,360	-	**11,704**
Reinforced&Read-mix Concrete Moscow	33,465	18,136	**51,601**	(8,950)	4,403	-	**(4,547)**
Ready-mix Concrete Spb	62,968	2,935	**65,903**	(51)	7,604	-	**7,553**
Aerated Concrete	48,759	1,061	**49,820**	(3,151)	6,889	-	**3,738**
Cement	44,689	18,184	**62,873**	(621)	1,154	-	**533**
Other	18,458	2,872	**21,330**	(2,596)	491	-	**(2,105)**
Eliminations	-	(14,995)	**(14,995)**	15	-	-	**15**
Building Materials	**348,502**	**36,742**	**385,244**	**(11,132)**	**28,288**	**-**	**17,156**
Construction Spb	320,159	14,477	**334,636**	65,007	12,747	-	**77,754**
Construction Moscow	54,909	-	**54,909**	6,107	-		**6,107**
Construction Ural	25,510	14,488	**39,998**	(2,397)	7,022	-	**4,625**
Construction	**400,578**	**28,965**	**429,543**	**68,717**	**19,769**	**-**	**88,486**
Sand	65,736	6,883	**72,619**	24,984	8,964	-	**33,948**
Crushed Granite	36,472	15,775	**52,247**	649	6,236	-	**6,885**
Crushed Granite Ural	130	4	**134**	(2,077)	1,354	-	**(723)**
Eliminations	-	(2,920)	**(2,920)**	-	-	-	**-**
Aggregates	**102,338**	**19,742**	**122,080**	**23,556**	**16,554**	**-**	**40,110**
Tower Cranes	27,805	3,040	**30,845**	2,777	6,944	-	**9,721**
Transportation	242	6,353	**6,595**	208	1,498	-	**1,706**
Pile Foundation and Construction	10,912	2,507	**13,419**	(289)	1,013	-	**724**
Eliminations	-	(26)	**(26)**	-	-	-	**-**
Construction Services	**38,959**	**11,874**	**50,833**	**2,696**	**9,455**	**-**	**12,151**
Elite Real Estate	141,065	-	**141,065**	60,789	413	(1,250)	**62,452**
Business Class and Mass Market Real Estate	412,840	1,526	**414,366**	85,628	69	-	**85,697**
Real Estate Urals	75,207	35	**75,242**	9,618	33	-	**9,651**
Gated Communities	-	-	**-**	-	-	-	**-**
Real Estate Moscow	56,152	-	**56,152**	11,503	250	-	**11,753**
Real Estate in Western Europe	7,948	-	**7,948**	(464)	17	-	**(447)**
Other	2,548	875	**3,423**	265	38	-	**303**
Eliminations	-	(173)	**(173)**	168	-	-	**168**
Real Estate Development	**695,760**	**2,263**	**698,023**	**167,507**	**820**	**(1,250)**	**169,577**
Commercial Real Estate	**4,754**	**-**	**4,754**	**1,594**	**28**	**56**	**1,566**
Other	**505**	**-**	**505**	**(63)**	**3,472**	**-**	**3,409**
Unallocated Expenses	9,035	-	**9,035**	(35,642)	-	-	**(35,642)**
Transportation revenue	44,311	-	**44,311**	-	-	-	**-**
Eliminations	-	(99,586)	**(99,586)**	(10,760)	-	-	**(10,760)**
Consolidated	**1,644,742**	**-**	**1,644,742**	**206,473**	**78,386**	**(1,194)**	**286,053**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

Year ended 31 December 2009 ('000 RUB)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. manage-ment fee	Deprecia-tion/ amortiza-tion	Change in fair value of investment property	Impair-ment losses on goodwill	EBITDA*
Brick	1,312,737	17,811	**1,330,548**	99,352	76,288	-	-	**175,640**
Reinforced Concrete SPb	2,577,992	223,111	**2,801,103**	202,271	186,193	-	-	**388,464**
Reinforced& Ready-mix Concrete Moscow	431,732	559,380	**991,112**	(323,227)	51,492	-	-	**(271,735)**
Ready-mix Concrete SPb	2,034,859	214,628	**2,249,487**	(223,644)	299,717	-	-	**76,073**
Aerated Concrete	1,607,283	25,874	**1,633,157**	(151,034)	221,388	-	-	**70,354**
Cement	1,051,385	646,103	**1,697,488**	(21,028)	32,931	-	-	**11,903**
Other	552,594	182,811	**735,405**	(234)	14,910	-	-	**14,676**
Eliminations	-	(1,165,347)	**(1,165,347)**	(3,088)	-	-	-	**(3,088)**
Building Materials	**9,568,582**	**704,371**	**10,272,953**	**(420,632)**	**882,919**	-	-	**462,287**
Construction Saint-Petersburg	11,399,451	286,126	**11,685,577**	2,900,584	336,804	-	-	**3,237,388**
Construction Moscow	111,083	-	**111,083**	12,219	-	-	-	**12,219**
Construction Ural	614,705	344,882	**959,587**	(252,384)	216,114	-	-	**(36,270)**
Construction	**12,125,239**	**631,008**	**12,756,247**	**2,660,419**	**552,918**	-	-	**3,213,337**
Sand	1,981,786	124,075	**2,105,861**	811,411	280,281	-	-	**1,091,692**
Crushed Granite	1,141,703	361,402	**1,503,105**	42,303	199,654	-	-	**241,957**
Crushed Granite Ural	17,458	1,470	**18,928**	(2,443)	38,176	-	-	**35,733**
Eliminations	-	(25,190)	**(25,190)**	-	-	-	-	-
Aggregates	**3,140,947**	**461,757**	**3,602,704**	**851,271**	**518,111**	-	-	**1,369,382**
Tower Cranes	897,253	179,101	**1,076,354**	287,629	219,200	-	-	**506,829**
Transportation	4,063	206,075	**210,138**	4,309	51,392	-	-	**55,701**
Pile Driving services	411,340	66,524	**477,864**	(7,884)	31,937	-	-	**24,053**
Eliminations	-	(751)	**(751)**	-	-	-	-	-
Construction Services	**1,312,656**	**450,949**	**1,763,605**	**284,054**	**302,529**	-	-	**586,583**
Elite Real Estate	13,286,985	40	**13,287,025**	4,421,900	22,842	(2,132,132)	-	**6,576,874**
Business Class and Mass Market Real Estate	8,015,323	15,315	**8,030,638**	2,424,612	1,702	-	-	**2,426,314**
Real Estate Urals	1,803,368	1,843	**1,805,211**	231,846	1,103	-	-	**232,949**
Gated Communities	-	-	-	-	-	-	-	-
Real Estate Moscow	-	12,930	**12,930**	(33,639)	7,887	-	-	**(25,752)**
Real Estate Western Europe	185,037	-	**185,037**	(18,579)	353	-	-	**(18,226)**
Other	65,153	44,161	**109,314**	7,613	1,217	-	-	**8,830**
Eliminations	(178)	(13,081)	**(13,259)**	286	-	-	-	**286**
Real Estate Development	**23,355,688**	**61,208**	**23,416,896**	**7,034,039**	**35,104**	**(2,132,132)**	-	**9,201,275**
Commercial Real Estate	**143,926**	**1**	**143,927**	**446,835**	**1,266**	**379,770**	-	**68,331**
Other Entities	**17,423**	-	**17,423**		**112,724**	-	-	**112,724**
Unallocated Expenses & Income	272,648	-	**272,648**	(852,354)	-	-	(79,093)	**(773,261)**
Transportation revenue	1,086,818	-	**1,086,818**	-	-	-	-	-
Eliminations	-	(2,309,294)	**(2,309,294)**	491,716	-	-	-	**491,716**
Consolidated	**51,023,927**	-	**51,023,927**	**10,495,348**	**2,405,571**	**(1,752,362)**	**(79,093)**	**14,732,374**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*

Year ended 31 December 2009 ('000 USD)	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (incl. management fee)	Deprecia-tion/ amortization	Change in fair value of investment property	Impair-ment losses on goodwill	EBITDA*
Brick	41,381	561	41,942	3,132	2,405	-	-	5,537
Reinforced Concrete Saint-Petersburg	81,265	7,033	88,298	6,376	5,869	-	-	12,245
Reinforced& Ready-mix Concrete Moscow	13,609	17,633	31,242	(10,189)	1,623	-	-	(8,566)
Ready-mix Concrete Saint-Petersburg	64,144	6,766	70,910	(7,050)	9,448	-	-	2,398
Aerated Concrete	50,666	816	51,482	(4,761)	6,979	-	-	2,218
Cement	33,143	20,367	53,510	(663)	1,038	-	-	375
Other	17,420	5,763	23,183	(7)	470	-	-	463
Eliminations	-	(36,735)	(36,735)	(97)	-	-	-	(97)
Building Materials	**301,628**	**22,204**	**323,832**	**(13,259)**	**27,832**	-	-	**14,573**
Construction Saint-Petersburg	359,342	9,019	368,361	91,434	10,617	-	-	102,051
Construction Moscow	3,502	-	3,502	385	-			385
Construction Ural	19,377	10,872	30,249	(7,955)	6,813	-	-	(1 142)
Construction	**382,221**	**19,891**	**402,112**	**83,864**	**17,430**	-	-	**101,294**
Sand	62,471	3,911	66,382	25,578	8,835	-	-	34,413
Crushed Granite	35,990	11,392	47,382	1,333	6,294	-	-	7,627
Crushed Granite Ural	550	46	596	(77)	1,203	-	-	1,126
Eliminations	-	(793)	(793)	-	-	-	-	-
Aggregates	**99,011**	**14,556**	**113,567**	**26,834**	**16,332**	-	-	**43,166**
Tower Cranes	28,284	5,646	33,930	9,067	6,910	-	-	15,977
Transportation	128	6,496	6,624	136	1,620	-	-	1,756
Pile Driving services	12,967	2,097	15,064	(249)	1,007	-	-	758
Eliminations	-	(24)	(24)	-	-	-	-	-
Construction Services	**41,379**	**14,215**	**55,594**	**8,954**	**9,537**	-	-	**18,491**
Elite Real Estate	418,842	1	418,843	139,391	721	(67,210)	-	207,322
Business Class and Mass Market Real Estate	252,665	483	253,148	76,430	54	-	-	76,484
Real Estate Urals	56,847	58	56,905	7,308	35	-	-	7,343
Gated Communities	-	-	-	-	-	-	-	-
Real Estate Moscow	-	408	408	(1,060)	249	-	-	(811)
Real Estate Western Europe	5,833	-	5,833	(586)	11	-	-	(575)
Other	2,054	1,392	3,446	240	37	-	-	277
Eliminations	(5)	(413)	(418)	9	-	-	-	9
Real Estate Development	**736,236**	**1,929**	**738,165**	**221,732**	**1,107**	**(67,210)**	-	**290,049**
Commercial Real Estate	**4,537**	-	**4,537**	**14,085**	**40**	**11,971**	-	**2,154**
Other Entities	**549**	-	**549**	-	**3,553**	-	-	**3,553**
Unallocated Expenses & Income	8,595	-	8,595	(26,869)	-	-	(2,493)	(24,376)
Transportation revenue	34,260	-	34,260	-	-	-	-	-
Eliminations	-	(72,795)	(72,795)	15,502	-	-	-	15,502
Consolidated	**1,608,416**	-	**1,608,416**	**330,843**	**75,831**	**(55,239)**	**(2,493)**	**464,406**

**EBITDA= Operating Result + Depreciation/amortisation - Change in fair value of Investment Property+ impairment losses recognised during the reporting period*