JSC OPIN
and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements

For the Year Ended 31 December 2008

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Open Investments ("JSC OPIN") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as of 31 December 2008 and the results of its consolidated operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

On behalf of Group's management, the consolidated financial statements for the year ended 31 December 2008 were authorized for issue on 20 April 2009 by:

Sergey V. Bachin

General Director of JSC OPIN

Moscow
20 April 2009

ZAO Deloitte & Touche CIS
Business Center "Mokhovaya"
4/7 Vozdvizhenka St., Bldg. 2
Moscow, 125009
Russia

Tel: +7 (495) 787 0600
Fax: +7 (495) 787 0601
www.deloitte.ru

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC OPIN:

We have audited the accompanying consolidated financial statements of JSC OPIN and subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte & Touche

Moscow
20 April 2009

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2008

	Notes	31 December 2008 '000 USD	31 December 2007 '000 USD
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	5	529	633
Intangible assets	6	3,375	565
Property, plant and equipment	7	119,134	122,906
Capital advances	8	955,252	863,832
Investment property	9	63,669	102,656
Investment property under development	10	556,389	1,350,810
Inventories	12	915,821	98,460
Deferred tax assets	21	18,246	14,313
Other non-current assets	11	65,033	50,657
		2,697,448	2,604,832
CURRENT ASSETS:			
Inventories	12	590,875	384,272
Advances paid		41,709	18,752
Receivables from customers under construction contracts		50,783	31,500
Trade accounts receivable	37	3,330	2,508
Other receivables and prepaid expenses	13,37	21,369	9,005
Loans to third parties	14	2,516	20,473
Cash and cash equivalents	15,37	252,323	427,092
		962,905	893,602
TOTAL ASSETS		**3,660,353**	**3,498,434**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	570,570	494,316
Additional paid-in-capital	17	1,897,861	1,472,101
Revaluation reserve	18	496,346	612,605
Retained earnings		147,042	191,028
Translation reserve		(501,380)	-
		2,610,439	2,770,050
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	21	292,936	351,340
Long-term finance lease payable		-	12,341
Long-term loans	22,37	332,207	92,193
Trade and other accounts payable	24	5,813	-
		630,956	455,874
CURRENT LIABILITIES:			
Short-term loans and accrued interest	23	196,486	103,882
Short-term finance lease payable		-	409
Trade and other accounts payable	24	33,277	37,222
Tax liability	25	3,967	7,371
Advances received from customers for inventories	37	185,228	123,626
		418,958	272,510
TOTAL EQUITY AND LIABILITIES		**3,660,353**	**3,498,434**

The notes on pages 9 to 62 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 1.
The independent auditors' report is presented on pages 2-3.

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
REVENUE			
Revenue under construction contracts	26, 37	125,357	95,370
Revenue from sale of goods		78,783	-
Land sold	37	45,089	39,566
Hotel revenue		26,611	24,121
Rental income from investment property		3,898	3,737
Revenue on rendering other services	37	3,628	1,862
		283,366	164,656
COST OF SALES			
Cost of construction contracts	27	(89,378)	(58,442)
Cost of goods sold		(60,537)	-
Cost of land sold		(28,052)	(29,338)
Cost of hotel services	29	(15,998)	(13,427)
Cost of rental services	30	(708)	(622)
Cost of other services	31	(1,642)	(890)
		(196,315)	(102,719)
GROSS PROFIT		87,051	61,937
Selling, general and administrative expenses	32	(50,173)	(36,937)
Expense under share-based payment program	20	(2,292)	(3,140)
Interest income	33, 37	39,552	27,921
Interest expense	34, 37	(30,070)	(10,691)
Gain on change in fair value of investment property	9	31,336	38,069
Impairment of assets	5, 7, 8, 10	(98,668)	-
Loss on extinguishment of debt		-	(640)
Net (loss)/gain on foreign currency operations		(72,632)	17,099
Other income		94	2,904
Other expenses		(2,033)	(382)
(LOSS)/PROFIT BEFORE INCOME TAX		(97,835)	96,140
INCOME TAX BENEFIT/(EXPENSE)	21	36,470	(9,378)
NET (LOSS)/PROFIT		**(61,365)**	**86,762**
Attributable to:			
Shareholders of the parent company		(61,073)	86,762
Minority interest	19	(292)	-
		(61,365)	**86,762**
EARNINGS PER SHARE:			
Basic, for profit attributable to shareholders of the parent company, US Dollars	35	(4.19)	7.70
Diluted, for profit attributable to shareholders of the parent company, US Dollars	35	(4.17)	7.56

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JSC OPIN AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

'000 USD	Share capital	Additional paid-in-capital	Revaluation reserve	Retained earnings	Translation reserve	Equity attributable to the shareholders of the parent company	Minority interest	Total equity
Balance as of 31 December 2006	**338,035**	**713,172**	**113,232**	**97,282**	**-**	**1,261,721**	-	**1,261,721**
							-	
Net profit	-	-	-	86,762	-	86,762	-	86,762
Revaluation surplus, net of deferred tax (Note 18)	-	-	504,852	-	-	504,852	-	504,852
Release of revaluation surplus on disposed assets (Note 18)	-	-	(5,479)	5,479	-	-	-	-
Issue of shares (Note 16, Note 17)	151,446	754,006	-	-	-	905,452	-	905,452
Decrease in deferred tax liability due to change in tax base of assets (Note 21)	-	-	-	1,505	-	1,505	-	1,505
Sale of treasury shares (Note 16, Note 17)	4,835	1,783	-	-	-	6,618	-	6,618
Expense under share-based payment program (Note 20)	-	3,140	-	-	-	3,140	-	3,140
Balance as of 31 December 2007	**494,316**	**1,472,101**	**612,605**	**191,028**	**-**	**2,770,050**	**-**	**2,770,050**
Net loss	-	-	-	(61,073)	-	(61,073)	(292)	(61,365)
Revaluation deficit, net of deferred tax (Note 18)	-	-	(99,172)	-	-	(99,172)	-	(99,172)
Release of revaluation surplus on disposed assets (Note 18)	-	-	(17,087)	17,087	-	-	-	-
Issue of shares (Note 16, Note 17)	71,420	421,685	-	-	-	493,105	-	493,105
Minority interest arising on acquisition of subsidiaries (Note 19)	-	-	-	-	-	-	18,497	18,497
Acquisition of minority interest in existing subsidiaries (Note 19)	-	-	-	-	-	-	(17,268)	(17,268)
Sale of treasury shares (Note 16, Note 17)	4,834	1,783	-	-	-	6,617	-	6,617
Expense under share-based payment program (Note 20)	-	2,292	-	-	-	2,292	-	2,292
Effect of translation to presentation currency	-	-	-	-	(501,380)	(501,380)	(937)	(502,317)
Balance as of 31 December 2008	**570,570**	**1,897,861**	**496,346**	**147,042**	**(501,380)**	**2,610,439**	**-**	**2,610,439**

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JSC OPIN AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 000'USD	Year ended 31 December 2007 000'USD
OPERATING ACTIVITIES:			
(Loss)/profit before income tax		(97,835)	96,140
Adjustments for:			
Depreciation and amortization expense		10,201	3,136
Loss/(gain) on disposal of property, plant and equipment		149	(19)
Gain on disposal of investment property		-	(2,712)
Impairment loss recognized on assets		98,668	-
Interest income		(39,552)	(27,921)
Gain on short-term investments		(127)	-
Interest expense		30,070	10,691
Expense under share-based payment program		2,292	3,140
Gain on change in fair value of investment property		(31,336)	(38,069)
Operating cash flow before movements in working capital		**(27,470)**	**44,386**
Decrease in land held for sale		23,343	29,338
Increase in property under development held for sale		(112,693)	(102,788)
Increase in work in progress and finished goods		(7,496)	-
Decrease/(increase) in other assets		201	(390)
Increase in receivables from customers under construction contracts		(29,000)	(20,494)
(Increase)/decrease in other receivables and prepaid expenses		(562)	403
Increase in trade accounts receivable		(607)	(1,369)
Increase in value added tax recoverable		(25,876)	(24,884)
Increase in advances paid		(30,783)	(10,408)
Increase in long-term accounts payable		6,872	-
(Decrease)/increase in trade and other accounts payable		(14,130)	2,719
Increase in advances received from customers for property under development held for sale		57,241	55,719
Increase in advances received from customers for land plots		39,699	10,530
Increase in tax liability		1,011	34
Cash used in operations		(120,250)	(17,204)
Interest paid		(27,585)	(11,645)
Income tax paid		(33,073)	(15,188)
Net cash used in operating activities		**(180,908)**	**(44,037)**
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, net of cash acquired	36	(393,256)	(1,466)
Loans issued		-	(772)
Loans repaid		15,628	6,466
Interest received		22,089	16,320
Proceeds from sale of investment property		-	7,403
Purchase of investment property		(3,208)	(1,039)
Proceeds from sale of property, plant and equipment		320	156
Purchase of property, plant and equipment and other non-current assets		(324,132)	(686,747)
Purchase of investment property under development		(136,310)	(87,742)
Net cash used in investing activities		**(818,869)**	**(747,421)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 000'USD	Year ended 31 December 2007 000'USD
FINANCING ACTIVITIES:			
Proceeds from issuance of shares		499,722	912,070
Reduction of finance lease liability		(12,591)	(348)
Loans received		436,031	150,000
Repayment of loans		(117,912)	(155,290)
Net cash from financing activities		**805,250**	**906,432**
EFFECT OF TRANSLATION TO PRESENTATION CURRENCY		19,758	(1,282)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(174,769)	113,692
CASH AND CASH EQUIVALENTS, beginning of the year	**15**	427,092	313,400
CASH AND CASH EQUIVALENTS, end of the year	**15**	**252,323**	**427,092**

Interest expense capitalized by the Group during the year ended 31 December 2008 amounted to USD 9,235 thousand (31 December 2007 – USD 10,046 thousand). Capitalized interest in the amount of USD 3,552 thousand was unpaid as of 31 December 2008 (31 December 2007 – USD 537 thousand).

The notes on pages 9 to 62 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 1. The independent auditors' report is presented on pages 2-3.

1. NATURE OF THE BUSINESS

JSC OPIN (the "Company") is a Moscow-based real estate development, management and investment company. It was incorporated in Moscow, Russian Federation, on 4 September 2002 as an Open Joint Stock Company under the laws of the Russian Federation. The Company's business strategy focuses on developing, managing and disposing of investment grade Class A and Class B office buildings, residential housing, and commercial real estate. The principal operating office of the Company is located at 23 Novoslobodskaya str., Moscow, 127055, Russian Federation.

The Company is the parent company of a group of entities consolidated within these financial statements (the "Group").

Further details regarding the activities and countries of incorporation of the Group's principal subsidiaries are presented in Note 44.

As of 31 December 2008 and 2007 the shareholders' structure of the Company was as follows:

Shareholder	31 December 2008	31 December 2007
Rosbank JSCB OJSC (nominee)	54.80%	1.40%
Depository Clearing Company CJSC (nominee)	20.61%	12.30%
ING Bank (Eurasia) CJSC (nominee)	11.40%	12.02%
The National Depository Center (nominee)	11.37%	-
Motherlane Properties Limited	-	37.97%
KM Invest JSC	-	19.87%
Treasury stock	-	0.98%
Others	1.82%	15.46%
Total	**100.00%**	**100.00%**

The ultimate beneficiaries of the Company are Mr. Vladimir O. Potanin and Mr. Mikhail D. Prokhorov.

Economic environment

The Group's activity in all its operating segments have been adversely affected by the uncertainty and instability in financial, currency and commodity markets resulting from the global financial crisis. The consolidated financial statements reflect management's assessment of the impact of the global financial and economic crisis as well as 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.

Furthermore, the Group is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Standards and Interpretations effective in the current period

In the current year, the Group has adopted all new International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations, and that became effective for periods beginning at 1 January 2008. The adoption of these new and revised standards and interpretations has not resulted in significant changes to the Group's accounting policies or financial performance.

Standards and Interpretations in issue not yet adopted

At the date of approval of the Group's consolidated financial statements, the following new and revised Standards and Interpretations have been issued, but are not effective for the current year:

New or revised IFRS and Interpretations issued by IFRIC	Effective for annual periods beginning on or after
IAS:	
IAS 1 "Presentation of Financial Statements" – amendment	1 January 2009
IAS 16 "Property, Plant and Equipment" – amendment	1 January 2009
IAS 19 "Employee Benefits" – amendment	1 January 2009
IAS 20 "Government Grants and Disclosure of Government Assistance" – amendment	1 January 2009
IAS 23 "Borrowing Costs" – amendment	1 January 2009
IAS 27 "Consolidated and Separate Financial Statements" – Consequential amendments arising from amendments to IAS 1	1 July 2009
IAS 28 "Investments in Associates" – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31 "Interests in Joint Ventures" – Consequential amendments arising from amendments to IAS 27	1 July 2009
IAS 32 "Financial Instruments: Presentation" – amendment	1 July 2009
IAS 36 "Impairment of Assets" – amendment	1 January 2009
IAS 38 "Intangible Assets" – amendment	1 January 2009
IAS 39 "Financial Instruments: Recognition and Measurement" – amendment	1 January 2009
IAS 39 "Financial Instruments: Recognition and Measurement" – amendment	1 July 2009
IAS 40 "Investment Property" – amendment	1 January 2009
IAS 41 "Agriculture" – amendment	1 January 2009

New or revised IFRS and Interpretations issued by IFRIC	Effective for annual periods beginning on or after
IFRS:	
IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Amendment relating to cost of an investment on first-time adoption	1 January 2009
IFRS 2 "Share-based Payment" – amendment	1 January 2009
IFRS 3 "Business Combinations" – comprehensive revision on applying the acquisition method	1 July 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – amendment	1 July 2009
IFRS 8 "Operating Segments"	1 January 2009
Interpretations issued by IFRIC:	
IFRIC 13 "Customer Loyalty Programmes"	1 July 2008
IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 January 2009
IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
IFRIC 17 "Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 18 "Transfers of Assets from Customers"	1 July 2009

The Group has carried out an assessment of the effect on its consolidated financial position and results of operations reported under IFRS of the above new and revised standards which become effective for annual periods beginning on or after 1 January 2009:

- In accordance with the provisions of Revised IFRS No. 3 "Business Combinations" ("IFRS 3") effective from 1 July 2009, the accounting treatment for business combinations will be changed significantly, but the extent of such impact can only be determined once the detail of future business combination transactions is known. The Group has assessed the impact of requirements under IFRS 3 and has developed a plan to introduce systems to provide the appropriate level of disclosures.
- In accordance with the provisions of IFRS No. 8 "Operating Segments" ("IFRS 8") effective from 1 January 2009, the Group should present additional information regarding operating segments in its consolidated financial statements. The Group has assessed the impact of requirements under IFRS 8 and has developed a plan to introduce systems to provide the appropriate level of disclosures.
- In accordance with the provisions of Revised IAS No. 1 "Presentation of Financial Statements" ("IAS 1") effective from 1 January 2009, the Group should present additional information regarding comprehensive income and non-mandatory changes of the titles of the financial statements. The Group has assessed the impact of requirements under IAS 1 and has developed a plan to introduce systems to provide the appropriate level of disclosures.
- In accordance with the provisions of Revised IAS No. 27 "Consolidated and Separate Financial Statements" ("IAS 27") effective from 1 July 2009, the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary will be changed significantly, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The Group has assessed the impact of requirements under IAS 27 and has developed a plan to introduce systems to provide the appropriate level of disclosures.

- In accordance with the provisions of Revised IAS No. 40 "Investment property" ("IAS 40") (and consequential amendments to IAS No. 16 "Property, Plant and Equipment" ("IAS 16")) effective from 1 January 2009 property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under development is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The group will apply IAS 40 (Revised) prospectively to investment property under development valuations from 1 January 2009.
- The impact of the adoption of all other Standards and Interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by Group management, however no material effect on the Group's financial position or results of its operations is anticipated.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS.

Going concern

In determining whether the Group's consolidated financial statements can be prepared on a going concern basis, the Group's management considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

Having considered all the factors impacting the Group's businesses, the management has a reasonable expectation that the Group has adequate resources (which comprise cash balance of USD 252,323 thousand as of 31 December 2008 and cash flows expected to be derived from operating activities) to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of preparation

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

- Fair value of subsidiaries acquired in accordance with IFRS 3;
- Valuation of investment property under development using revaluation model in accordance with IAS 16;
- Valuation of investment property in accordance with IAS 40;
- Properties and land transferred from investment property carried at fair value to inventory in accordance with IAS 40 are subsequently accounted for at deemed cost which represents its fair value at the date of such transfer;
- Valuation of financial instruments in accordance with IAS No. 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Statutory accounting principles and procedures in the countries where the Group's subsidiaries are incorporated differ substantially from those generally accepted under IFRS. Accordingly, these consolidated financial statements, which have been prepared from the local statutory accounting records for entities of the Group domiciled in the Russian Federation and Canada, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions, including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

These consolidated financial statements are presented in thousands of United States Dollars ("USD"), except for earnings per share amounts and elsewhere where indicated.

Functional and presentation currencies

Prior to 1 January 2008, it was determined that USD was the functional currency of all of the Group's entities.

Effective 1 January 2008, the functional currency of the Group's entities except Growth Technologies (Russia) Limited, Onigomati Investment Limited, OPIN CAPITAL INC. and Viceroy Homes Limited, was changed by the Group's management from USD to Russian Rubles ("RUB") because of significant changes in economic facts and circumstances of the Group's operations. This change in functional currency was applied on a prospective basis. The functional currency of Growth Technologies (Russia), Onigomati Investment Limited and OPIN CAPITAL INC. is USD. The functional currency of Viceroy Homes Limited is Canadian Dollar ("CAD").

The presentation currency of the Group is USD because management believes using the USD is more convenient and relevant for users of the consolidated financial statements.

The translation into USD of the financial statements of the Group's subsidiaries with a functional currency other than USD is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at each reporting date;
- All items included in the consolidated shareholders' equity, other than net income, are translated at historical exchange rates;
- All income and expenses in the consolidated income statement are translated at exchange rates in effect when the transactions occur. For those transactions that occur evenly over the period an average exchange rate for the period is applied;
- Resulting exchange differences are included in the consolidated statement of changes in equity as "Translation reserve"; and
- In the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates of the beginning and end of each year. All cash flows are translated at exchange rates in effect when the cash flows occur. For those cash flows that occur evenly over the period, an average exchange rate for the period is applied. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as "Effect of translation to presentation currency".

As of 31 December 2008 and 2007, exchange rates of 29.38 RUB and 24.55 RUB to 1 USD, respectively, have been used for translation purposes. The average exchange rates for the years ended 31 December 2008 and 2007 were 24.86 RUB and 25.58 RUB to 1 USD, respectively.

The RUB is not a readily convertible currency outside the territory of the Russian Federation. Accordingly, translation of amounts recorded in RUB into USD should not be construed as a representation that RUB amounts have been, could be, or will in the future be converted into USD at the exchange rate shown or at any other exchange rate.

Foreign currency transactions and balances

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are recognised in the consolidated income statement.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances and any unrealized profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognized and measured at fair value less costs to sell.

When a business combination is achieved in stages, each exchange transaction is treated separately for the purpose of determining the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and for determining the amount of any goodwill on that transaction.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives, which is in a range of 2-5 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment other than owner-occupied property transferred from investment property is carried at historical cost less accumulated depreciation and any accumulated impairment loss. Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated income statement as incurred.

Owner-occupied property transferred from investment property carried at fair value is subsequently accounted for at deemed cost which represents its fair value at the date of such transfer.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation.

Depreciation of property, plant and equipment is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following prescribed annual rates:

Buildings	2.5%
Fittings and fixtures	6.7%-10%
Machinery and equipment	5%-20%
Transport	20%
Furniture and office equipment	14%-33%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Capital advances

Capital advances represent amounts paid to vendors for capital construction, acquisition of property, plant and equipment, land plots and investment property. Capital advances are carried at cost.

Investment property

Investment property is a property (land or building – or part of a building – or both) held by the Group to earn rentals or for capital appreciation or both. Investment property is originally recorded at cost. Subsequent expenditure relating to an investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

The Group has elected to use the fair value model to measure investment property subsequent to initial recognition and accordingly investment property is stated at fair value on the Group's consolidated balance sheet. Gains and losses arising from changes in the fair value of investment property are included in the consolidated income statement in the year in which they arise.

Where an investment property is partly occupied by the Group, the part occupied is accounted for as the Group's own property, plant and equipment and accounted for accordingly. The part of the property which is used as investment property is stated at fair value which is determined by reference to occupancy ratios.

Transfers to, or from, investment property are made when, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property;
- Commencement of an operating lease to another party, for a transfer from inventories to investment property; or
- End of construction or development, for a transfer from property in the course of construction or development to investment property.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's fair value at the date of transfer is considered as deemed cost for accounting purposes.

Investment property under development

Investment property under development comprises commercial property under development, land under development for commercial purposes and land with undetermined future use, treated as follows.

Commercial property under development

Commercial property under development represents buildings that are being constructed for future use as investment property. Commercial property under development is accounted for at cost. When the construction is completed, such buildings are transferred to investment property.

If, after or in the course of the development process, management's intentions relating to a certain property change, such property is transferred to inventories (as property under development held for sale) or property, plant and equipment and its carrying amount at the date of transfer is considered as its cost as of that date.

Land under development for commercial purposes

Land under development for commercial purposes represents land, which is in the process of development by the Group for future use as investment property, and also land undergoing site preparation or change in use. Management elected to follow the alternative treatment allowed by IAS 16 and, subsequent to initial recognition, such land is carried at a revalued amount determined by independent appraisal, being its fair value at the date of the revaluation. Management plans to perform a revaluation of land under development with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, the increase is recognized in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized directly in the consolidated income statement. However, the decrease is debited directly to the revaluation reserve in equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

If, after or in the course of the development process, management's intentions relating to a certain land parcel is changed, such parcel is transferred to inventories (the land held for sale category) or to the property, plant and equipment and its carrying amount at the date of transfer is considered as its deemed cost as of that date.

Land with undetermined future use

Land with undetermined future use comprises land for which the Group has not determined whether it will use the land as owner-occupied property, for short-term sale in the ordinary course of business, or held as investment property. Accounting policies for land with undetermined future use are similar to those used by the Group for land under development for commercial purposes.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Inventories transferred from investment property or investment properties under development carried at fair value are recorded at deemed cost which is the property's fair value at the date of transfer.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity.

On the Group's consolidated balance sheet inventories are split between non-current and current assets based on whether particular inventories will be consumed by the Group within 12 months after the balance sheet date (current assets) or after 12 months from the balance sheet date (non-current assets).

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date in accordance with the laws of the Russian Federation, Canada, USA and Cyprus.

Deferred tax

Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred tax assets and deferred tax liabilities are offset when:

- The Group has a legally enforceable right to set off current tax assets against current tax liabilities;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Cash and cash equivalents

Cash includes petty cash, cash held on current bank accounts and short-term deposits with banks. Cash equivalents include highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt securities other than those financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit and loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Available-for-sale financial assets represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given.

Securities are subsequently measured at fair value, with such re-measurement recognized separately in equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment unless there are other appropriate and workable methods of reasonably estimating their fair value.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Accounts receivable are stated at cost less any allowance for doubtful accounts. Such provisions reflect either specific cases or estimates based on evidence of collection.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings

Loans and borrowings are recognised at cost, net of transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the consolidated income statement as interest expense over the life of the obligation.

Trade and other accounts payable

Liabilities for trade and other amounts payable are stated at their nominal value.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Land plots accounted for as inventories are classified as qualifying assets where it is expected to take a substantial period of time to have them ready for intended use or sale. Borrowing costs directly attributable to the acquisition of such land plots are added to the cost of these assets.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Share capital and additional paid-in-capital

Share capital is recognized at cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Treasury shares are recorded at cost. Gains and losses on sales of treasury shares are charged or credited to additional paid-in capital.

External costs directly attributable to the issue of new shares, other than in a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared and become legally payable.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant (being the fair value of the share less the purchase price). The fair value of the share is determined based on market prices. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease payable.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue recognition

Revenue is recognized 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. Revenues are recognized net of value added tax.

- Hotel and associated revenues are recognized when rooms are occupied and services are rendered;
- Revenue from the sale of land is recognized when legal title passes to the buyer;
- Revenue from the sale of residential properties is recognized when construction is complete and the property is transferred to the buyer.

Construction contracts

The Group concludes contracts with its clients for construction of houses and communal infrastructure on land owned by the Group. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

The Group concludes fixed price contracts in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

Contract revenue comprises the initial amount of revenue agreed in the construction contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs comprise costs that relate directly to the specific construction contract; costs that are attributable to contract activity in general and can be allocated to the contract; and other costs as are specifically chargeable to the customer under the terms of the construction contract.

When the outcome of a construction contract can be estimated reliably, contract revenue and associated contract costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. An expected loss on the construction contract is recognized as an expense immediately.

Retirement and other benefit obligations

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

Contingencies

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

Business and geographic segments

For management purposes, the Group is organized into six major business segments: land holdings, residential property, fabricated homes, commercial property development, commercial property and hotel operations. The operations are based in the Russian Federation, Canada, USA and Japan.

Inter-segment transactions: segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated on consolidation.

Reclassifications

Certain comparative information, presented in the consolidated financial statements for the year ended 31 December 2007, has been reclassified in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2008. The reclassifications made are as follows:

Nature of reclassification	Carrying amount '000 USD	Consolidated balance sheet caption as previously reported	Consolidated balance sheet caption after reclassification
Reclassification of non-current portion of inventories previously reported within current assets	98,460	Inventories, under "Current assets" caption	Inventories, under "Non-current assets" caption

Additionally, certain other comparative information, presented in the consolidated financial statements for the year ended 31 December 2007, has been reclassified by management. None of these reclassifications were made on the face of the consolidated balance sheet or consolidated income statement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of an asset or a cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 20% that reflects current market assessment of the time value of money and the risks specific to the assets.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and, ultimately, the amount of any impairment.

In 2008 the Group recognized an impairment loss on property, plant and equipment of USD 51,668 thousand (Note 7). No impairment loss was recognized by the Group in 2007.

Fair value of investment property and investment property under development

In compliance with its accounting policies, the Group is required to recognize investment property and land under development at fair values, which are derived from a number of resources, namely market prices, independent appraisers and management estimates. These estimates are based on valuation techniques which require considerable judgment in predicting future cash flows and developing other assumptions. Due to absence of an active market for certain of the Group's assets, the estimation of fair value of these assets include certain assumptions not directly supportable by observed market prices or rates.

The carrying amounts of the Group's assets carried at fair value (where gains and losses arising from changes in the fair value are either recognized in the consolidated income statement or charged directly to equity) as of 31 December 2008 and 2007 are as follows:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Investment property (Note 9)	63,669	102,656
Land under development (Note 10)	309,056	1,215,046

Assessment of net realizable value of inventories

Estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices and cost directly relating to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of the period.

When assessing net realizable value of agricultural land plots included in the Group's inventories (and where management is intending to change the category of authorized usage), management used available open sources of information on sale prices for land plots with similar characteristics and located in the same or nearby region. While management believes that this analysis provides a reliable assessment of the net realizable value, management understands that information used in the analysis may differ from the actual market prices of the land plots.

In assessing net realizable value of the Pestovo Cottage Community land plots included in the Group's inventory balance, management used sale prices as per signed contracts as adjusted for a five-percent discount being a fee which would have to be paid by a customer in case of contract cancellation.

Based on assessment performed management concluded that the cost of inventories in the Group's consolidated balance sheet as of 31 December 2008 is less than their net realizable value as of that date.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques which require considerable judgment in forecasting future cash flows and developing other assumptions.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of 31 December, 2008 and 2007 was USD 633 thousand and USD 529 thousand, respectively. An impairment loss of USD 25,516 thousand was recognized by the Group in the year ended 31 December 2008 (2007: nil).

Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations which changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. In Russia periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Deferred tax assets

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets must be reduced, this reduction will be recognized in the consolidated income statement.

Critical judgment in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, management has made the following judgment that has the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with above):

Revenue recognition: construction contracts

Profits in respect of contracts will be recognized by reference to the stage of completion when an estimate of a profitable outcome can be measured reliably. Determining the outcome of a contract requires estimation of costs to complete and in certain instances estimates of any variations in the contract work.

Note 27 describes the expenditures incurred by the Group with respect to construction contracts concluded with the Group's customers for the construction of houses on land owned by the Group. Title to those houses and the land has not been transferred to the Group's customers as of the date of these consolidated financial statements. Following negotiation of the terms of these construction contracts, a schedule of work was agreed, which will involve additional Group expenditure until 2010. In light of the specifics attributable to construction contracts, management was required to consider whether it was appropriate to recognize revenue from these transactions of USD 85,254 thousand in the current period, in line with the Group's general policy of recognizing revenue from construction contracts.

In making their judgment, management considered the detailed criteria for the recognition of revenue from construction contracts and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the houses and the land. Following a detailed review of the Group's construction contracts, the directors are satisfied that recognition of the revenue in the current reporting period is appropriate, in conjunction with recognition of attributable construction costs.

5. GOODWILL

	'000 USD
At 31 December 2006	633
Change for the period	-
At 31 December 2007	633
Acquisition of subsidiaries (Note 36)	25,516
Goodwill impairment	(25,516)
Currency translation adjustment	(104)
At 31 December 2008	**529**

Goodwill impairment relates to acquisition of Viceroy Homes Limited acquired by the Group in 2008 (Note 36). The recoverable amount of goodwill was assessed as zero based on discounted future cash flows covering a period of ten years and a terminal value of the acquired subsidiary's assets at the end of the 10-year period. A discount rate of 7.3% was applied to the cash flow projections which management believes reflects time value of money and risks associated with this cash-generating unit. Management's assessment of goodwill impairment also takes into account the uncertainties of the current economic environment in the industry where Viceroy Homes Limited operates.

6. INTANGIBLE ASSETS

Intangible assets as of 31 December 2008 and 2007 consisted of the following:

'000 USD	Computer software	Trademarks, licences, production models and logotypes	Total
Cost			
At 31 December 2006	102	58	160
Additions	942	46	988
At 31 December 2007	1,044	104	1,148
Acquisition of subsidiaries (Note 36)	-	2,396	2,396
Additions	504	1,655	2,159
Translation difference	(250)	(743)	(993)
At 31 December 2008	1,298	3,412	4,710
Accumulated amortization			
At 31 December 2006	33	5	38
Charge for the period	541	4	545
At 31 December 2007	574	9	583
Charge for the period	714	277	991
Translation difference	(205)	(34)	(239)
At 31 December 2008	1,083	252	1,335
Carrying amount			
At 31 December 2007	470	95	565
At 31 December 2008	**215**	**3,160**	**3,375**

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 31 December 2008 and 2007 consisted of the following:

'000 USD	Land and buildings	Fittings and fixtures	Transport, machinery and equipment	Furniture and office equipment	Construc-tion in progress	Total
Cost						
At 31 December 2006	63,613	4,726	2,701	1,319	26,178	98,537
Additions	1,396	82	716	1,122	28,975	32,291
Disposals	-	(3)	(152)	(39)	-	(194)
Transfer to investment property (Note 9)	(258)	-	-	-	-	(258)
Transfer from land under development for commercial purposes (Note 10)	20	-	-	-	-	20
Transfer to property under development held for sale (Note 12)	-	(166)	-	-	(255)	(421)
At 31 December 2007	64,771	4,639	3,265	2,402	54,898	129,975
Additions	13,530	49	1,666	1,237	44,369	60,851
Acquisition of subsidiaries (Note 36)	17,091	1,002	18,412	639	988	38,132
Assets put into operation	390	5,696	23	-	(6,109)	-
Disposals	(279)	-	(322)	(17)	(418)	(1,036)
Transfer from investment property (Note 9)	16,739	-	-	-	-	16,739
Transfer from/(to) land held for development and sale, net (Note 12)	1,891	-	-	-	(190)	1,701
Transfer from land under development for commercial purposes (Note 10)	8,369	-	-	-	-	8,369
Transfer from commercial property under development (Note 10)	-	-	-	-	30,512	30,512
Transfer to commercial property under development (Note 10)	-	-	-	-	(67,674)	(67,674)
Transfer from/(to) property under development held for sale, net (Note 12)	-	7	-	-	(5,358)	(5,351)
Translation difference	(20,268)	(1,844)	(3,726)	(699)	(9,082)	(35,619)
At 31 December 2008	102,234	9,549	19,318	3,562	41,936	176,599
Depreciation and accumulated impairment losses						
At 31 December 2006	2,518	502	1,155	395	-	4,570
Charge for the period	1,646	214	379	352	-	2,591
Transfer to property under development held for sale (Note 12)	-	(36)	-	-	-	(36)
Disposals	-	-	(42)	(14)	-	(56)
At 31 December 2007	4,164	680	1,492	733	-	7,069
Impairment losses charged to profit or loss	8,866	8,991	574	-	33,237	51,668
Charge for the period	2,788	762	4,932	728	-	9,210
Disposals	(3)	-	(41)	-	-	(44)
Translation difference	(2,460)	(1,582)	(1,057)	(220)	(5,119)	(10,438)
At 31 December 2008	13,355	8,851	5,900	1,241	28,118	57,465
Net book value						
At 31 December 2007	60,607	3,959	1,773	1,669	54,898	122,906
At 31 December 2008	**88,879**	**698**	**13,418**	**2,321**	**13,818**	**119,134**

As of 31 December 2008 a building with a net book value of USD 27,827 thousand had been pledged as collateral for a loan received from JSCB Savings Bank of the Russian Federation (Note 22).

During the year ended 31 December 2008, no interest was capitalized in construction in progress.

During the year ended 31 December 2007, the Group capitalized interest of USD 195 thousand in construction in progress.

Transfers from investment property relate to "Meyerhold" office building which is partially occupied by the Group and is partially used as investment properties. In 2008 the share of such properties occupied by the Group increased and this resulted in a transfer of USD 16,739 thousand from investment properties into property, plant and equipment.

Transfer from commercial property under development of USD 30,512 thousand relates to "Pavlovskaya school" which is no longer viewed by management as an investment property at completion of construction. Land plot under "Pavlovskaya school" with carrying amount of USD 8,356 thousand was also transferred into property, plant and equipment from land under development for commercial purposes.

Transfer to commercial property under development includes costs incurred by the Group to-date in relation to construction of the "A. I. Raikin Retail and Entertainment Center" in the amount of USD 67,614 thousand (Note 10).

Annual test for impairment

In the reporting year, the Group carried out a review of the recoverable amount of its property, plant and equipment. The recoverable amount of the relevant assets was determined on the basis of their value in use or fair value determined by independent appraisers through a valuation complying with International Valuation Standards.

Impairment losses of USD 51,668 thousand were recognized by management as a result of such review and relate to the following:

	31 December 2008 '000 USD
"Pavlovskaya school", including related land plots, LLC Pavlovo	38,868
Items of infrastructure of LLC Pavlovo, including related land plots	12,800
Total	**51,668**

"Pavlovskaya school", including related land plots, LLC Pavlovo

Taking into account the effect of the economic instability on private educational services business, management assessed the recoverable amount of "Pavlovskaya school" as zero. The recoverable amount was calculated as discounted future cash flows generated from the continuing use of property, plant and equipment and from its ultimate disposal. A discount rate of 20% was applied in determining the recoverable amount which in management's view reflects time value of money and risks associated with this group of assets.

Items of infrastructure of LLC Pavlovo, including related land plots

In 2008 the recoverable amount of LLC Pavlovo infrastructure relating to Pavlovo Cottage Community was assessed as zero based on discounted future cash flows generated from the continuing use and ultimate disposal of these property, plant and equipment at the rate of 20% which in management's view reflects time value of money and risks associated with this group of assets. Most items of infrastructure were completed and launched in 2008.

8. CAPITAL ADVANCES

Capital advances as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Advance payment for the acquisition of land plots	870,864	759,693
Other capital advances	89,580	104,139
Impairment of capital advances paid for "Pavlovskaya school" construction (Note 7)	(5,192)	-
Total	**955,252**	**863,832**

Advances paid for land comprise the following and represent land acquisitions legal title to which has not yet been registered to the Group.

Pestovo land acquisition

In September 2006 the Board of Directors approved the Group's participation in the Bolshoye Pestovo project, which includes the acquisition of up to approximately 1,000 hectares of land in the Moscow region near Pestovo reservoir. As of 31 December 2008 the Group has acquired approximately 352 hectares of land for a total consideration of USD 77 million. For the remainder advances paid amounted to USD 104 million as of 31 December 2008.

New land acquisition program

In December 2006 the Board of Directors approved the Group's participation in a new land acquisition program. Total approved spending for land acquisition in the Moscow, Tver and Yaroslavl regions approximates USD 1,300 million. The Group acquired approximately 3,244 and 6,414 hectares of land for USD 59.6 million in 2007 and USD 336.6 million in 2008, respectively. For the remaining land, advances were paid amounting USD 766 million as of 31 December 2008.

As of 31 December 2008 the ownership title for land plots which were being acquired by the Group through capital advances was in the process of being transferred to the Group. Once this process is complete land plots will be recognized on the Group's balance sheet as a non-current asset.

Capital advances for the acquisition of land plots are interest-bearing. Related interest income is included in other interest income (Note 33) except for that interest income which directly offsets borrowings costs capitalized.

During the year ended 31 December 2008 the Group capitalized interest of USD 7,184 thousand in advances paid for capital expenses which was fully offset by interest income earned.

During the year ended 31 December 2007 the Group capitalized interest of USD 4,656 thousand in advances paid for capital expenses.

Group management estimates recoverability of advances paid for the acquisition of land plots in the amount of USD 870,864 thousand as highly probable as of 31 December 2008 based on the ongoing monitoring of the information on the advances usage and assets to be obtained.

9. INVESTMENT PROPERTY

'000 USD	Buildings	Land plots	Land plots with buildings	Total
At 31 December 2006	22,550	72,999	45,500	141,049
Additions	-	60	979	1,039
Change in fair value	15,753	101	22,215	38,069
Transfer from property, plant and equipment (Note 7)	258	-	-	258
Transfer from land under development for commercial purposes (Note 10)	-	-	91	91
Transfer to land held for sale (Note 12)	-	(73,160)	-	(73,160)
Disposal	-	-	(4,690)	(4,690)
At 31 December 2007	**38,561**	**-**	**64,095**	**102,656**
Additions	-	42	3,166	3,208
Change in fair value	136	29,616	1,584	31,336
Transfer to property, plant and equipment (Note 7)	(16,739)	-	-	(16,739)
Transfer from land with undetermined future use (Note 10)	-	24,126	-	24,126
Transfer to property under development held for sale (Note 12)	-	-	(4,735)	(4,735)
Transfer to land held for sale (Note 12)	-	-	(31,711)	(31,711)
Transfer to finished goods	-	-	(31,602)	(31,602)
Translation difference	(3,789)	(8,284)	(797)	(12,870)
At 31 December 2008	**18,169**	**45,500**	**-**	**63,669**

The fair value of Group's investment property has been arrived at on the basis of valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at primarily by applying the income capitalization method.

As of 31 December 2008 land plots with a book value of USD 45,500 thousand were pledged as collateral for a loan received from JSCB Rosbank (Note 22).

In 2008 management made a decision to sell certain properties intended to be held for long-term capital appreciation. As a result properties with carrying amount of USD 31,711 thousand were transferred to inventories.

In 2008 residential property with a carrying value of USD 31,602 thousand intended to be held for investment were transferred to finished goods: management plans are to generate revenue through the sale of such properties rather than by way of rental income.

10. INVESTMENT PROPERTY UNDER DEVELOPMENT

Investment property under development as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Land with undetermined future use	-	731,361
Land under development for commercial purposes	309,056	483,685
Commercial property under development	247,333	135,764
Total	**556,389**	**1,350,810**

In 2008 the Group's management reviewed and determined future use of land which was classified as being under development with undetermined future use as of 31 December 2007. As a result land plots were reclassified in line with management's intentions as stated below.

Land with undetermined future use

	2008 '000 USD	2007 '000 USD
At 1 January	731,361	176,608
Revaluation surplus (Note 18)	-	248,662
Additions	-	8,615
Acquisition of subsidiaries	-	365,007
Transfer to investment property (Note 9)	(24,126)	-
Transfer to land under development for commercial purposes	(11,295)	-
Transfer to land held for development and sale (Note 12)	(664,318)	(34,724)
Transfer to land held for sale in the ordinary course of business (Note 12)	(22,527)	(32,807)
Translation difference	(9,095)	-
At 31 December	**-**	**731,361**

Land under development for commercial purposes

	2008 '000 USD	2007 '000 USD
At 1 January	483,685	227,745
Revaluation (deficit)/surplus (Note 18)	(174,828)	416,987
Additions	86	11,325
Impairment losses charged to consolidated income statement	(1,869)	-
Transfer to investment property (Note 9)	-	(91)
Transfer from land with undetermined future use	11,295	-
Transfer to property, plant and equipment (Note 7)	(8,369)	(20)
Transfer to land held for development and sale (Note 12)	-	(172,261)
Transfer to land held for sale in the ordinary course of business (Note 12)	(1,284)	-
Translation difference	340	-
At 31 December	**309,056**	**483,685**

Land is recorded at revalued amount on the basis of a valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was determined by applying the income capitalization method.

Impairment losses of USD 1,869 thousand relate to impaired cost of the land plots of LLC Pavlovo Podvorie under "Pavlovo Podvorie Retail and Entertainment Complex" and are based on results of a valuation carried out by independent appraiser.

During the year ended 31 December 2008, no interest was capitalized in land under development with undetermined future use and in land under development for commercial purposes.

During the year ended 31 December 2007, the Group capitalized interest in land under development with undetermined future use and in land under development for commercial purposes of USD 3,465 thousand and USD 117 thousand, respectively.

Commercial property under development

	2008 '000 USD	2007 '000 USD
At 1 January	135,764	121,550
Additions	139,853	74,864
Acquisition of subsidiaries	-	273
Impairment losses charged to consolidated income statement	(13,475)	-
Transfer from property, plant and equipment (Note 7)	67,674	-
Transfer to property, plant and equipment (Note 7)	(30,512)	-
Transfer to property under development held for sale (Note 12)	(5,253)	(60,923)
Translation difference	(46,718)	-
At 31 December	**247,333**	**135,764**

Transfer from property, plant and equipment includes costs incurred by the Group to-date in relation to construction of the "A. I. Raikin Retail and Entertainment Center" in the amount of USD 67,614 thousand. In 2008 management defined future use of "A. I. Raikin Retail and Entertainment Center" as investment properties once construction is complete and consequently related construction costs were reclassified by the Group to its investment property under development.

During the reporting year, the Group carried out a review of the recoverable amount of its commercial property under development. The recoverable amount of the relevant assets was determined on the basis of the fair value determined by independent appraisers through a valuation complying with International Valuation Standards.

As a result of such review impairment losses of USD 12,430 thousand were recognized in relation to "Pavlovo Podvorie Retail and Entertainment Complex" and USD 1,045 thousand was recognized in relation to "A. I. Raikin Retail and Entertainment Center".

As of 31 December 2008, land under development for commercial purposes with a book value of USD 304,325 and commercial property under development with a book value of USD 156,875 were pledged as collateral for a loan received from JSCB Savings bank of the Russian Federation (Note 22).

During the year ended 31 December 2008 the Group capitalized interest in commercial property under development of USD 1,481 thousand.

During the year ended 31 December 2007 the Group capitalized interest in commercial property under development of USD 1,613 thousand.

11. OTHER NON-CURRENT ASSETS

Other non-current assets as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Value added tax recoverable	64,506	50,657
Long-term capital investment	527	-
Total	**65,033**	**50,657**

Group management evaluates recoverability of value added tax recoverable on an ongoing basis. While management understands that certain difficulties may be faced by the Group while obtaining a tax refund, the recoverability of value added tax balance as of 31 December 2008 was assessed by management as highly probable based on the existing conditions and events occurring subsequent to the balance sheet date.

12. INVENTORIES

Inventories as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Non-current		
Land held for development and sale	893,286	96,875
Property under development held for sale	22,535	1,585
	915,821	**98,460**
Current		
Land held for sale in the ordinary course of business	186,129	94,645
Land held for development and sale	141,891	126,513
Property under development held for sale	176,351	129,817
Raw materials and spare parts	2,924	-
Work in progress	46,278	32,309
Finished goods	34,861	-
Other inventories	2,485	988
	590,919	384,272
Allowance for obsolete and slow-moving items	(44)	-
	590,875	**384,272**
Total	**1,506,696**	**482,732**

Land held for sale represents land parcels with houses being constructed under contracts, accounted for as property under development held for sale, and also other land parcels with the intention of being sold in the ordinary course of business.

Land held for sale in the ordinary course of business

	2008 '000 USD	2007 '000 USD
At 1 January	94,645	-
Additions	126	-
Acquisition of subsidiaries (Note 36)	112,088	-
Transfer from land with undetermined future use (Note 10)	22,527	32,807
Transfer from investment property (Note 9)	-	73,160
Transfer from land under development for commercial purposes (Note 10)	1,284	-
Disposals	(3,659)	(11,322)
Translation difference	(40,882)	-
At 31 December	**186,129**	**94,645**

Land held for development and sale

	2008 '000 USD	2007 '000 USD
At 1 January	223,388	34,419
Additions	4,583	-
Acquisition of subsidiaries (Note 36)	346,496	-
Transfer to property, plant and equipment (Note 7)	(1,891)	-
Transfer from property, plant and equipment (Note 7)	190	-
Transfer from land under development for commercial purposes (Note 10)	-	172,261
Disposals	(24,393)	(18,016)
Transfer from investment property (Note 9)	31,711	-
Transfer from land for undetermined future use (Note 10)	664,318	34,724
Translation difference	(209,225)	-
At 31 December	**1,035,177**	**223,388**

Property under development held for sale

Property under development held for sale represent cottages, apartments in low-rise buildings, town houses and other property in the process of construction and development with the intention of being sold in the ordinary course of business.

	2008 '000 USD	2007 '000 USD
At 1 January	131,402	-
Additions	202,071	128,536
Acquisition of subsidiaries (Note 36)	621	-
Transfer to property, plant and equipment (Note 7)	(392)	-
Transfer from property, plant and equipment (Note 7)	5,743	385
Transfer from commercial property under development (Note 10)	5,253	60,923
Transfer to cost of construction contracts (Note 27)	(89,378)	(58,442)
Transfer from investment property (Note 9)	4,735	-
Transfer to finished goods	(23,293)	-
Translation difference	(37,876)	-
At 31 December	**198,886**	**131,402**

During the year ended 31 December 2008, the Group capitalized interest in land held for development and sale of USD 570 thousand.

During the year ended 31 December 2007, no interest was capitalized in inventories.

As of 31 December 2008, finished goods and property under development held for sale of USD 3,020 thousand were pledged as collateral for a loan received from JSCB Rosbank (Note 22).

13. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Prepaid current income tax	12,498	767
Prepaid expenses	5,091	457
Value added tax recoverable	1,946	2,638
Other receivables	1,225	4,964
Other taxes prepaid	609	179
Total	**21,369**	**9,005**

14. LOANS TO THIRD PARTIES

Unsecured loans issued as of 31 December 2008 and 2007 consisted of:

	Interest rate	Currency	31 December 2008 '000 USD	31 December 2007 '000 USD
Agrorezerv LLC	7.3%	RUB	1,719	1,928
Nekomercheskoe Partnyorstvo "Blagoustroystvo Kottedzhnogo posyolka "Pestovo"	7.0%-7.5%	RUB	797	18,545
Total			**2,516**	**20,473**

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Short-term bank deposits	246,655	409,538
Cash in banks, in RUB	3,688	16,991
Cash in banks, in other currencies	1,963	553
Petty cash	17	10
Total	**252,323**	**427,092**

16. SHARE CAPITAL

	31 December 2008	31 December 2007	31 December 2006
Authorized			
Ordinary shares at par value of RUB 1,000 each	**15,280,221**	**13,587,969**	**9,750,976**
Including:			
Treasury shares			
Ordinary shares at par value of RUB 1,000 each	**-**	**133,000**	**266,000**

	‘000 USD
Issued and fully paid	
31 December 2006: 9,484,976 ordinary shares at par value of RUB 1,000 each	338,035
Issue of shares: 3,836,993 ordinary shares at par value of RUB 1,000 each	151,446
Sale of treasury shares under share-based payment program: 133,000 ordinary shares at par value of RUB 1,000 each	4,835
31 December 2007: 13,454,969 ordinary shares at par value of RUB 1,000 each	494,316
Issue of shares: 1,692,252 ordinary shares at par value of RUB 1,000 each	71,420
Sale of treasury shares under share-based payment program: 133,000 ordinary shares at par value of RUB 1,000 each	4,834
31 December 2008: 15,280,221 ordinary shares at par value of RUB 1,000 each	**570,570**

On 6 June 2008, the Company completed a distribution of 1,692,252 additional shares with a nominal value of RUB 1,000 each. Shareholders in the Company were given a pre-emptive right of purchase, pro rata to their existing shareholdings. The offering price was set by the Company’s Board of Directors upon expiration of the pre-emptive rights period at its meeting on May 16, 2008, at RUB 6,915.97 per ordinary share, which represents approximately USD 289.99 per share at the exchange rate of the Central Bank of the Russian Federation at the date of the meeting. The proceeds from the additional issue of shares were USD 492,775 thousand.

Treasury shares represent the face value of shares held by the Group to satisfy the Group’s share-based payment program (Note 20).

17. ADDITIONAL PAID-IN-CAPITAL

Additional paid-in-capital as of 31 December 2008 and 2007 consisted of the following:

‘000 USD	Share premium	Under-writing fees	Legal and consulting services	Share-based payment	Total
At 31 December 2006	725,355	(15,186)	(2,012)	5,015	713,172
Issue of new shares	765,507	(9,979)	(1,522)	-	754,006
Sale of treasury shares under share option plan	1,783	-	-	-	1,783
Recognition of expense under share-based payment program (Note 20)	-	-	-	3,140	3,140
At 31 December 2007	1,492,645	(25,165)	(3,534)	8,155	1,472,101
Issue of new shares	422,519	(115)	(719)	-	421,685
Sale of treasury shares under share option plan	1,783	-	-	-	1,783
Recognition of expense under share-based payment program (Note 20)	-	-	-	2,292	2,292
At 31 December 2008	**1,916,947**	**(25,280)**	**(4,253)**	**10,447**	**1,897,861**

18. REVALUATION RESERVE

	2008 '000 USD	2007 '000 USD
At 1 January	612,605	113,232
Revaluation (deficit)/surplus on land (Note 10)	(174,828)	665,649
Decrease/(increase) in deferred tax liabilities arising on revaluation of land (Note 21)	41,959	(160,797)
Decrease in deferred tax liabilities due to change in income tax rate (Note 21)	33,697	-
Release of revaluation reserve on disposed assets	(22,483)	(7,209)
Release of deferred tax liability on revaluation reserve of disposed assets	5,396	1,730
At 31 December	**496,346**	**612,605**

19. MINORITY INTEREST

	2008 '000 USD
At 1 January	-
Minority interest in net loss of subsidiary for the year	(292)
Minority interest arising on acquisition of subsidiaries	18,497
Acquisition of minority interest in existing subsidiaries	(17,268)
Translation difference	(937)
At 31 December	**-**

20. SHARE-BASED PAYMENT PROGRAM

The Group has established a share-based payment program. The Group annually grants an opportunity to certain employees to purchase the Company's ordinary shares at a fixed price equal to USD 49.75 per share exercisable on the condition that the employee remains in the Group's employ for at least one year after the exercise date. Fair value at grant date was USD 75.93 per share. The number of shares that were available for purchase during 2007-2008 amounted to 133,000 per annum.

	31 December 2008 Shares	31 December 2007 Shares
Outstanding at the beginning of the year	133,000	266,000
Exercised during the year	(133,000)	(133,000)
Outstanding at the end of the year	**-**	**133,000**
Exercisable at the end of the year	**-**	**-**

The Group recognized a total share-based payment cost of USD 2,292 thousand and USD 3,140 thousand for the year ended 31 December 2008 and 2007, respectively (Note 17).

21. INCOME TAXES

The Group's income was subject to tax at the following tax rates:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Russian Federation	24%	24%
Cyprus	10%	10%
USA	35%	-
Canada	28.90%	-

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with statutory tax regulations which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the fact that certain expenses are not deductible and certain income is not taxable under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to the recorded values of certain assets.

Temporary differences as of 31 December 2008 and 2007 comprised:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Deductible differences:		
Loss carried forward	63,952	20,271
Property, plant and equipment	57,546	13,394
Other payables and accrued expenses	10,152	1,721
Receivables and prepaid expenses	5,286	1,318
Investment property under development	10,516	-
Effect of foreign currency remeasurement of other assets	102,875	101,519
Total deductible differences	**250,327**	**138,223**
Taxable differences:		
Land under development and land held for sale	1,530,583	1,389,966
Payable to customers under construction contracts	27,953	33,049
Receivables and prepaid expenses	531	39,209
Investment property	33,833	79,437
Intangible assets	1,327	-
Property, plant and equipment	20,853	842
Effect of foreign currency remeasurement of other assets	763	-
Total taxable differences	**1,615,843**	**1,542,503**
Net taxable differences	(1,365,516)	(1,404,280)
Net deferred tax liability	**(274,690)**	**(337,027)**

The relationship between the income tax expense and the Group's accounting profit for the year ended 31 December 2008 and 2007 is explained as follows:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
(Loss)/profit before income tax	**(97,835)**	**96,140**
At the Russian statutory income tax rate of 24%	(23,480)	23,074
Effect of the difference in tax rates in countries other than the Russian Federation	(238)	-
Effect on deferred tax balances due to the change in income tax rate from 24% to 20% (effective 1 January 2009)	(26,207)	-
Tax effect of permanent differences	13,455	(13,696)
Income tax (benefit)/expense	**(36,470)**	**9,378**
Income tax expense		
Deferred income tax benefit	(54,102)	(11,558)
Current income tax expense	17,632	20,936
Total	**(36,470)**	**9,378**

In November 2008, an amendment to the Tax Code of the Russian Federation was enacted to reduce the corporate income tax rate from 24% to 20% effective from 1 January 2009. For the years ended 31 December 2008 and 2007 annual income tax of those Group's subsidiaries which are based in the Russian Federation is measured at 24% of the estimated assessable profit for the year.
As of 31 December 2008 and 2007, deferred taxes are measured at 20% and 24%, respectively.

Deferred tax liabilities	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
At the beginning of the year	351,340	112,212
Decrease in the deferred tax liability charged to consolidated income statement	(46,669)	(4,081)
(Decrease)/increase in deferred tax liability charged to equity (Note 18)	(75,655)	160,797
Disposal of subsidiaries	-	(1,505)
Acquisition of subsidiaries (Note 36)	114,670	83,917
Translation difference	(50,750)	-
At the end of the year	**292,936**	**351,340**

Deferred tax assets	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
At the beginning of the year	14,313	6,836
Increase in deferred tax assets credited to consolidated income statement	7,433	7,477
Translation difference	(3,500)	-
At the end of the year	**18,246**	**14,313**

As of 31 December 2008 and 2007 the Group did not recognize a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries, because management believed that it was in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

22. LONG-TERM LOANS

Long-term loans as of 31 December 2008 and 2007 consisted of the following:

	Currency	Interest rate	31 December 2008 '000 USD	31 December 2007 '000 USD
JSCB Rosbank	USD	11%	-	22,460
JSCB Savings bank of the Russian Federation	USD	11%-12%	186,131	17,750
ING Bank N.V.	USD	9.75%-10.45%	149,900	50,000
Agrorezerv LLC	RUB	9.0%	1,785	1,983
TD Bank "Commercial Demand Loan – Floating"	CAD	4.75%	29	-
Unamortized debt issue costs	USD		(5,638)	-
Total			**332,207**	**92,193**

As of 31 December 2008, finished goods with a book value of USD 3,020 thousand were pledged as collateral for the loan from JSCB Rosbank (Note 12).

As of 31 December 2008 the following properties of the Group were pledged as collateral under the loans received from JSCB Savings Bank of the Russian Federation (Notes 7, 10):

- 100% of JSC Hotel Novoslobodskaya shares;
- Hotel Novoslobodskaya building with a net book value of USD 27,827 thousand;
- 100% share in LLC Sakharova Business Plaza;
- Rental right for the land plot recorded as land under development for commercial purposes with a book value of USD 304,325;
- Commercial property under development with a book value of USD 156,875.

As of 31 December 2008 land plots with a book value of USD 45,500 thousand were pledged as collateral for a loan received from JSCB Rosbank (Note 9).

JSC OPIN subsidiaries act as guarantors for the loan received from ING Bank N.V.

Long-term loans as of 31 December 2008 and 2007 are repayable as follows:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Within one year	190,031	103,000
In the second year	49,922	67,750
In the third to fifth years inclusive	99,711	22,460
Later than five years	182,574	1,983
Less: current portion of long-term loans (Note 23)	(190,031)	(103,000)
Total	**332,207**	**92,193**

23. SHORT-TERM LOANS AND ACCRUED INTEREST

Short-term loans and accrued interest as of 31 December 2008 and 2007 consisted of the following:

	Currency	Interest Rate	31 December 2008 '000 USD	31 December 2007 '000 USD
Current portion of long-term loan from JSCB Savings bank of the Russian Federation (Note 22)	USD	11%	17,750	3,000
JSCB Rosbank (Note 22)	USD	11%	72,460	-
ING Bank N.V. (Note 22)	USD	9.750%	50,000	-
ING Bank N.V. (Note 22)	USD	libor+2%	-	100,000
ZAO Raiffeisenbank	USD	libor+5.3%	50,000	-
Accrued interest on long-term and short-term loans	USD		6,566	882
Prepaid interest on loans	USD		(111)	-
Unamortized debt issue costs (Note 22)	USD		(179)	-
			196,486	**103,882**

As of 31 December 2008 long-term loans of USD 72,460 thousand received by the Group from JSCB Rosbank with contractual maturity of July 2011 and August 2013 were reclassified to short-term because non-compliance with certain financial covenants contained in the loan agreement.

24. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2008 and 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Trade payables to suppliers and service providers	14,249	6,067
Accounts payable to employees	771	8,048
Advances received	6,934	1,493
Other accounts payable and accrued expenses, current	11,323	21,614
Total trade and other accounts payable – current	**33,277**	**37,222**
Other accounts payable and accrued expenses, non-current	5,813	-
Total trade and other accounts payable – non-current	**5,813**	**37,222**

25. TAX LIABILITY

Tax liability as of 31 December 2008 and 31 December 2007 consisted of the following:

	31 December 2008 '000 USD	31 December 2007 '000 USD
Current income tax liability	2,467	6,611
Other taxes payable	1,500	760
Total	**3,967**	**7,371**

26. REVENUE UNDER CONSTRUCTION CONTRACTS

Revenue under construction contracts for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Revenue under contracts for construction of houses	85,254	70,461
Revenue under contracts for construction of infrastructure and other assets	40,103	24,909
Total	**125,357**	**95,370**

27. COST OF CONSTRUCTION CONTRACTS

Cost of construction contracts for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Cost of contracts for construction of houses (Note 12)	49,494	33,723
Cost of contracts for construction of infrastructure and other assets (Note 12)	39,884	24,719
Total	**89,378**	**58,442**

28. CONSTRUCTION CONTRACTS

Contracts in progress as of 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Construction costs incurred plus recognized profits less recognized losses to date	375,370	250,013
Less: progress billings	(364,209)	(277,647)
	11,161	**(27,634)**
Receivables under construction contracts	50,783	31,500
Advances received under construction contracts included into advances received from customers for inventories	(39,622)	(59,134)
	11,161	**(27,634)**

29. COST OF HOTEL SERVICES

Cost of hotel services for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Payroll	3,700	3,062
Management fees	2,757	2,519
Materials	2,007	1,801
Depreciation	1,578	1,444
Property tax	1,175	910
Payroll taxes	724	645
Commissions	581	495
Bank fees for processing credit cards	473	405
Repairs and maintenance	408	296
Security expenses	396	193
Laundry expenses	369	398
Insurance	216	201
Communication and TV expenses	214	148
Consulting services	145	99
Decoration expenses	55	54
Other	1,200	757
Total	**15,998**	**13,427**

30. COST OF RENTAL SERVICES

Cost of rental services for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Property tax	331	211
Public utilities	186	104
Rent expense	85	69
Repairs and maintenance	5	104
Other	101	134
Total	**708**	**622**

31. COST OF OTHER SERVICES

Cost of other services for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Payroll	808	332
Security expenses	308	116
Depreciation	94	15
Rent expense	16	76
Repairs and maintenance	12	117
Professional services	1	-
Property tax	-	37
Other	403	197
Total	**1,642**	**890**

32. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Payroll	18,974	17,637
Advertising	3,948	3,215
Depreciation and amortization	3,706	1,677
Audit and other consulting services	3,603	2,028
Brokerage fees	3,267	1,506
Payroll taxes	2,318	1,265
Security expenses	1,723	891
Other operating taxes	1,629	1,381
Property tax	1,483	608
Repairs and maintenance	1,305	633
Sales commissions	1,202	-
Public utilities	1,068	389
Bank charges	1,039	395
Travel expenses	938	317
Rent expense	790	170
Insurance	540	468
Communications expenses	510	289
Landscaping	85	395
Representation expenses	57	273
Management fees	47	100
Other expenses	1,941	3,300
Total	**50,173**	**36,937**

33. INTEREST INCOME

Interest income for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Interest on bank deposits	19,894	15,804
Interest on loans issued	1,914	1,613
Other interest income (Note 8)	17,744	10,504
Total	**39,552**	**27,921**

34. INTEREST EXPENSE

Interest expense for the years ended 31 December 2008 and 2007 consisted of the following:

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Interest on bank loans	37,951	17,953
Interest on financial lease	701	1,546
Cost of maintenance of credit accounts	457	953
Interest on other loans	196	285
Total borrowing costs	39,305	20,737
Less: amounts included in the cost of qualifying assets (Notes 7, 8,10 and 12)	(9,235)	(10,046)
Total	**30,070**	**10,691**

35. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Basic			Diluted		
	Weighted average number of shares outstanding during the period	Net (loss)/profit for the period attributable to share-holders of the parent company ('000 USD)	Earnings per share (in USD)	Weighted average number of shares outstanding during the period	Net (loss)/profit for the period attributable to share-holders of the parent company ('000 USD)	Earnings per share (in USD)
Year ended 31 December 2008	14,587,083	(61,073)	(4.19)	14,653,220	(61,073)	(4.17)
Year ended 31 December 2007	11,270,566	86,762	7.70	11,481,516	86,762	7.56

36. ACQUISITION OF SUBSIDIARIES

Acquisition of Viceroy Homes Limited

On 27 February 2008, the Group acquired a 61.08% ownership interest in Viceroy Homes Limited – a Canadian producer of fabricated homes, for an aggregate purchase price of approximately USD 37 million, paid in cash.

This acquisition was accounted for using the purchase method. The Group has determined the fair values of identifiable assets, liabilities and contingent liabilities of the acquired company at the date of acquisition. The purchase price allocation for the acquisition is as follows:

'000 USD	**27 February 2008**
Intangible assets (Note 6)	2,396
Property, plant and equipment (Note 7)	38,132
Inventories	6,433
Trade accounts receivable	695
Other receivables and prepaid expenses	4,196
Cash and cash equivalents	15,012
Total assets	**66,864**
Deferred tax liability (Note 21)	(7,579)
Trade and other accounts payable	(11,763)
Total liabilities	**(19,342)**
Net assets, at the date of acquisition	**47,522**
Fair value of net assets attributable to 61.08% ownership interest	29,026
Satisfied by cash	36,964
Goodwill (Note 5)	**7,938**
Net cash outflow arising on acquisition:	
Cash consideration	(36,964)
Cash and cash equivalents acquired	15,012
Net cash outflow on acquisition of subsidiaries	**(21,952)**
The revenue and the financial result included in the consolidated financial statements:	
Revenue from sale of goods	44,097
Cost of goods sold	(41,309)
Other expenses, including income taxes	(5,612)
Net loss	**(2,824)**

On 21 July 2008, the Group acquired the remaining minority share of 38.92% in Viceroy Homes Limited for an aggregate purchase price of approximately USD 34.8 million, paid in cash. Goodwill in the amount of USD 17,578 thousand recognized on acquisition was fully impaired (Note 5).

Acquisition of land holding companies in Moscow and Tver regions

On 9 June 2008, the Group acquired a 100% interest in Prospect LLC and Gorizont LLC together with their 100% subsidiaries: Roza vetrov LLC, Agroindustry LLC, Russkaya zemlya LLC, Volzhskie prostory LLC, Farafonovka LLC, Solar coast LLC, Urozhay LLC, Niva LLC for USD 336.6 million, paid in cash.

This acquisition was accounted for using the purchase method. The Group has determined the fair values of identifiable assets, liabilities and contingent liabilities of the acquired company at the date of acquisition. The purchase price allocation for the acquisition is as follows:

'000 USD	**9 June 2008**
Land held for sale in the ordinary course of business (Note 12)	112,088
Land held for development and sale (Note 12)	346,496
Property under development held for sale, non-current (Note 12)	621
Value added tax recoverable	44
Trade and other receivables	15
Cash and cash equivalents	163
Total assets	**459,427**
Deferred tax liability (Note 21)	(107,091)
Short-term loans and accrued interest	(15,712)
Trade and other accounts payable	(4)
Total liabilities	**(122,807)**
Net assets, at the date of acquisition	**336,620**
Fair value of net assets attributable to 100% ownership interest	336,620
Satisfied by cash	(336,620)
Goodwill	**-**
Net cash outflow arising on acquisition:	
Cash consideration	(336,620)
Cash and cash equivalents acquired	163
Net cash outflow on acquisition of subsidiaries	**(336,457)**

The revenue and the financial result of the acquired land holding subsidiaries in Moscow and Tver regions included in the consolidated financial statements since their dates of acquisition to the reporting date were not significant.

Disclosure of other information in respect of acquisition of subsidiaries

As the acquired subsidiaries did not prepare financial statements in accordance with IFRS before the acquisition, it is impracticable to determine revenues and net profit of the Group on the assumption that all acquisitions effected during the period had occurred at the beginning of the period.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are considered to be the following:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates – enterprises in which the Group has significant influence and which are neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;

(f) parties with joint control over the Group;

(g) joint ventures in which the Group is a venture; and

(h) post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2008 and 2007:

	31 December 2008		31 December 2007	
‘000 USD	**Related party balances**	**Total category as per consolidated financial statements caption**	**Related party balances**	**Total category as per consolidated financial statements caption**
Trade receivables (entities with joint control or significant influence over the entity)	422	3,330	-	2,508
Other receivables and prepaid expenses (entities with joint control or significant influence over the entity)	-	21,369	1,545	9,005
Long-term loans (entities with joint control or significant influence over the entity)	-	332,207	22,460	92,193
Advances received from customers for inventories (key management personnel of the entity or its parent)	15,655	185,228	32,618	123,626
Accounts payable to employees (key management personnel of the entity)	-	771	5,963	8,048
Cash and cash equivalents (entities with joint control or significant influence over the entity	-	252,323	110,386	427,092

Included in the consolidated income statement for the years ended 31 December 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	31 December 2008		31 December 2007	
'000 USD	**Related party transactions**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Revenue under construction contracts	1,793	125,357	3,503	95,370
Entities with joint control or significant influence over the entity	-	-	60	-
Key management personnel of the entity or its parent	1,793	-	3,443	-
Revenue from land sold (key management personnel of the entity or its parent)	3,843	45,089	1,023	39,566
Revenue on rendering other services (entities with joint control or significant influence over the entity)	1,069	3,628	-	1,862
Bank charges (entities with joint control or significant influence over the entity)	368	1,039	179	395
Interest income (entities with joint control or significant influence over the entity)	3,203	39,552	4,894	27,921
Interest expense (entities with joint control or significant influence over the entity)	3,877	30,070	266	10,691
Cost of hotel services (entities with joint control or significant influence over the entity)	313	15,998	267	13,427
Key management personnel compensation:				
Payroll and related taxes	4,781	26,524	12,227	22,941
Insurance	17	756	43	669
	4,798	**27,280**	**12,270**	**23,610**

During the year ended 31 December 2008, the Group accrued interest of USD 3,877 thousand on a loan received from a related party, recorded as interest expense. During the year ended 31 December 2008, the Group paid interest to a related party of USD 2,890 thousand.

During the year ended 31 December 2007 the Group accrued interest of USD 2,522 thousand on a loan received from a related party, of which USD 267 thousand is recorded as interest expense and USD 2,255 is capitalized in the cost of long-term assets. During the year ended 31 December 2007 the Group paid interest to a related party of USD 1,896 thousand.

38. BUSINESS SEGMENTS

Financial information relating to the Group's consolidated segments is as follows for the years ended 31 December 2008 and 2007:

'000 USD	Land holdings	Residential property	Commercial property develop-ment	Commercial property	Hotel operations	Fabricated homes	Others	Elimi-nations	Group total Year ended 31 December 2008
REVENUE									
External sales	7,615	184,826	-	3,281	26,611	44,097	16,936	-	283,366
Inter-segment sales	-	1	-	865	-	309	-	(1,175)	-
Total revenue	**7,615**	**184,827**	**-**	**4,146**	**26,611**	**44,406**	**16,936**	**(1,175)**	**283,366**
RESULT									
Segment profit before income tax	32,005	54,108	(16,137)	5,146	9,601	(5,567)	2,269	-	81,425
Unallocated expenses, net									(179,260)
Loss before income tax									**(97,835)**
Segment capital additions	280,872	6,591	164,968	-	11,686	1,176	1,325	-	466,618
Unallocated capital additions									1,538
Capital additions									**468,156**
Segment depreciation expense	-	900	3	-	1,574	5,295	198	-	7,970
Unallocated depreciation expense									1,240
Depreciation expense									**9,210**

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Eliminations	Group total Year ended 31 December 2007
REVENUE								
External sales	20,275	114,172	236	3,734	24,121	2,118	-	164,656
Inter-segment sales	-	28	-	755	9	19	(811)	-
Total revenue	**20,275**	**114,200**	**236**	**4,489**	**24,130**	**2,137**	**(811)**	**164,656**
RESULT								
Segment profit before income tax	8,640	26,622	5	36,514	11,139	45	-	82,965
Unallocated expenses, net								13,175
Profit before income tax								**96,140**
Segment capital additions	733,834	80,560	75,988	597	1,434	829	-	893,242
Unallocated capital additions								742
Capital additions								**893,984**
Segment depreciation expense	-	488	-	-	1,444	66	-	1,998
Unallocated depreciation expense								593
Depreciation expense								**2,591**

Financial information relating to the Group's consolidated segments is as follows as of 31 December 2008 and 2007:

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Fabricated homes	Others	Group total 31 December 2008
OTHER INFORMATION								
Segment assets	1,598,193	891,574	674,462	18,764	54,132	95,945	27,142	3,360,212
Unallocated assets								300,347
Eliminations								(206)
Total assets								**3,660,353**
Segment liabilities	133,388	470,894	112,062	7,336	10,910	15,960	935	751,485
Unallocated liabilities								298,635
Eliminations								(206)
Total liabilities								**1,049,914**

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group total 31 December 2007
OTHER INFORMATION							
Segment assets	1,340,853	863,371	693,912	87,202	60,859	342	3,046,539
Unallocated assets							452,105
Eliminations							(210)
Total assets							**3,498,434**
Segment liabilities	133,832	246,463	119,694	16,898	24,455	7,098	548,440
Unallocated liabilities							180,154
Eliminations							(210)
Total liabilities							**728,384**

39. GEOGRAPHIC SEGMENTS

Financial information relating to the Group's consolidated segments is as follows for the years ended 31 December 2008 and 2007:

'000 USD	Russian Federation	Canada	USA	Japan	Others	Group total Year ended 31 December 2008
Segment revenue	239,268	30,116	6,354	6,722	906	**283,366**
Segment capital additions	466,980	1,176	-	-	-	**468,156**

'000 USD	Russian Federation	Canada	USA	Japan	Group total Year ended 31 December 2007
Segment revenue	164,656	-	-	-	**164,656**
Segment capital additions	893,984	-	-	-	**893,984**

Financial information relating to the Group's consolidated segments is as follows as of 31 December 2008 and 2007:

'000 USD	Russian Federation	Canada	USA	Japan	Group total 31 December 2008
Segment assets	3,611,283	40,978	8,092	-	**3,660,353**
Segment liabilities	1,036,572	12,100	1,242	-	**1,049,914**

'000 USD	Russian Federation	Canada	USA	Japan	Group total 31 December 2007
Segment assets	3,498,434	-	-	-	**3,498,434**
Segment liabilities	728,384	-	-	-	**728,384**

40. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of 31 December 2008 commitments of the Group for capital expenditures outstanding under concluded contracts approximated USD 135 million. The Group has early termination rights for most of its capital construction contracts.

Operating leases

The Group's future minimum rental payments under non-cancellable operating leases in effect as of 31 December 2008 and 2007 are presented in the table below.

	31 December 2008 '000 USD	31 December 2007 '000 USD
Not later than 1 year	261	332
Later than 1 year but not later than 5 years	866	716
Later than 5 years	6,369	3,584
Total operating lease	**7,496**	**4,632**

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed by the tax authorities of making arbitrary judgment of business activities, if a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may by assessed additional taxes, penalties and interest and these could be significant. While the Group believes it has complied with all applicable regulations and requirements, these regulations and requirements are not always clearly written, are continually updated, are often ambiguous and may be retrospective in effect, and it is often difficult to predict future interpretations by regulatory authorities, and the outcomes of such interpretations. The management of the Group considers that the probability of any material sanctions being undertaken by local authorities against the Group is remote, and believes that no material fines or penalties will become payable. Tax years remain open to review by the tax authorities for three years preceding the year of review.

Pensions and retirement plans

Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As of 31 December 2008 and 2007, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Russian Federation. Laws and regulations affecting business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

41. SUBSEQUENT EVENTS

In March 2009, the Group acquired approximately 9,282 hectares of land for USD 209 million. Of this amount approximately USD 188.2 million was paid by the Group prior to 31 December 2008 and was therefore included into capital advances balance as of 31 December 2008.

42. RISK MANAGEMENT POLICIES

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

Credit risk

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty/customer, or groups of customers. Prior to entering into material contracts, the Group undertakes due diligence procedures, which includes checking the financial condition and creditworthiness of the counterparty, its experience, expertise and reputation in the subject area of co-operation. The Group also obtains a legal opinion from its in-house or from independent legal counsel regarding the validity and enforceability of contracts and other material documentation in connection with the subject transaction. The Group's aggregate credit exposure to a particular counterparty/customer, or groups of customers once established by the Group's Investment Committee are subject to quarterly review and approval by the Investment Committee.

The Group's counterparties/customers are mainly contractors, buyers/sellers of property, tenants and banks. For each counterparty grouping the Group has developed additional procedures to mitigate credit risk as follows:

Contractors: The Group seeks additional credit risk mitigation instruments, including safety deposits, completion and performance guarantees, issued by top-rated banks, and the use of professional advisors, providing quality control and technical supervision.

Buyers/sellers of property: Financial guarantees (bank guarantees, letters of credit or similar bank instruments) or advance performance of counterparty's obligations is usually required from each potential buyer/seller.

Tenants: The Group carries out due diligence procedures. Contracts with tenants include a safety deposit in the amount of lease payments for 1-6 months, which management believes provides sufficient amount to cover costs and realize planned profit during any re-marketing period.

Banks and financial institutions: the Group undertakes due diligence procedure on banks and financial institutions, which are service providers for the Group, to ensure their creditworthiness. The Investment Committee establishes limits for aggregate credit exposure to banks and financial institutions. Such limits are subject to quarterly review. The Group maintains accounts with several banks to ensure the flexibility of its risk management policy implementation.

Maturity of financial instruments

'000 USD	**In the first year**	**In the second year**	**In the third to the fifth year**	**After the fifth year**	**Contractual amount**	**Carrying amount 31 December 2008**
Financial assets						
Cash at bank and in hand	5,668	-	-	-	5,668	5,668
Time deposits	246,655	-	-	-	246,655	246,655
Trade and other receivables	55,337	-	-	-	55,337	55,337
Loans issued	2,516	-	-	-	2,516	2,516
Total financial assets	**310,176**	**-**	**-**	**-**	**310,176**	**310,176**
Financial liabilities						
Trade and other payables	25,621	231	460	1,230	27,542	26,475
Loans	196,486	49,922	99,711	182,574	528,693	528,693
Total financial liabilities	**222,107**	**50,153**	**100,171**	**183,804**	**556,235**	**555,168**
Net financial position	**88,069**	**(50,153)**	**(100,171)**	**(183,804)**	**(246,059)**	**(244,992)**

'000 USD	**In the first year**	**In the second year**	**In the third to the fifth year**	**After the fifth year**	**Contractual amount**	**Carrying amount 31 December 2007**
Financial assets						
Cash at bank and in hand	17,554	-	-	-	17,554	17,554
Time deposits	409,538	-	-	-	409,538	409,538
Trade and other receivables	38,973	-	-	-	38,973	38,973
Loans issued	20,473	-	-	-	20,473	20,473
Total financial assets	**486,538**	**-**	**-**	**-**	**486,538**	**486,538**
Financial liabilities						
Trade and other payables	27,681	-	-	-	27,681	27,681
Finance lease liability	1,973	1,973	5,919	16,278	26,143	12,750
Loans	103,882	67,750	22,460	1,983	196,075	196,075
Total financial liabilities	**133,536**	**69,723**	**28,379**	**18,261**	**249,899**	**236,506**
Net financial position	**353,002**	**(69,723)**	**(28,379)**	**(18,261)**	**236,639**	**250,032**

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

	31 December 2008 '000 USD	31 December 2007 '000 USD
Long and short term borrowings	528,693	196,075
Cash and cash equivalents	(252,323)	(427,092)
Net debt	276,370	(231,017)
Equity	2,610,439	2,770,050
Net debt to equity ratio	**10.59%**	**(8.34%)**

Risk concentrations

The Group is exposed to risk concentration relating to capital advances paid for the acquisition of land plots (Note 8) issued to a single counterparty. Of the capital advances balance at the year end of USD 955,252 thousand a single counterparty represents approximately 80% (2007: 73%) of the outstanding balance. Management assesses the impact of such risk on a regular basis and monitors performance of the counterparty.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 the Group's subsidiaries. The currencies in which these transactions primarily are denominated are US dollars and Canadian dollars.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations.

Financial instruments by currency

'000 USD	USD	RUB	CAD	EUR	GBP	Total 31 December 2008
Financial assets						
Cash at bank and in hand	1,287	3,706	36	639	-	5,668
Time deposits	226,139	8,869	11,647	-	-	246,655
Trade and other receivables	68	54,189	1,067	13	-	55,337
Loans issued	-	2,516	-	-	-	2,516
Total financial assets	**227,494**	**69,280**	**12,750**	**652**	-	**310,176**
Financial liabilities						
Trade and other payables	2,892	20,092	2,311	16	1,164	26,475
Loans	526,879	1,785	29	-	-	528,693
Total financial liabilities	**529,771**	**21,877**	**2,340**	**16**	**1,164**	**555,168**
Net financial position	**(302,277)**	**47,403**	**10,410**	**636**	(1,164)	**(244,992)**

'000 USD	USD	RUB	EUR	Total 31 December 2007
Financial assets				
Cash at bank and in hand	440	17,001	113	17,554
Time deposits	1,661	407,877	-	409,538
Trade and other receivables	16,469	22,504	-	38,973
Loans issued	-	20,473	-	20,473
Total financial assets	**18,570**	**467,855**	**113**	**486,538**
Financial liabilities				
Trade and other payables	3,260	24,421	-	27,681
Finance lease liability	-	12,750	-	12,750
Loans	194,092	1,983	-	196,075
Total financial liabilities	**197,352**	**39,154**	**-**	**236,506**
Net financial position	**(178,782)**	**428,700**	**113**	**250,032**

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency as of 31 December 2008 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included. The analysis is performed on the same basis as for 2007.

	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Net profit		
USD	(30,228)	(17,878)
CAD	1,041	-
EUR	64	11
GBP	(116)	-

A 10 percent weakening of the following currencies against the functional currency as of 31 December 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

The Group's debt instruments outstanding as of 31 December 2008 are on both fixed and variable rate basis.

The Group incurs interest rate risk on liabilities with variable interest rate. The Group's Treasury function performs analysis of current interest rates and prepares forecasts for the next year. Depending on that, the management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In case of changes in the current market fixed or variable rates the management may consider refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rate.

Sensitivity analysis for interest rates is not presented as most of the Group's loans are on a fixed rate basis and consequently the risk of fluctuations in floating interest rates is deemed to be insignificant by management.

Liquidity risk

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

Management controls the Group's liquidity by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the financial markets for current liquidity support and cash flow management.

The Group recognizes the capital intensive nature and fluctuating liquidity requirements of real estate. Therefore, the Group uses its best efforts to fund a significant portion of future cash needs through long-term borrowings and to maintain a high proportion of equity financing. The Group also tries to partially finance the development of its residential projects by receiving advance payments under construction contracts.

Included in note below is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

'000 USD	Weighted average effective interest rate	On demand	Less than one month	One to three months	Three months to one year	One to five years	After the fifth year	Contractual amount 31 December 2008
Financial liabilities								
Trade and other payables	-	6,871	5,690	9,015	4,045	691	1,230	27,542
Loans	9.2%	-	5,895	560	190,031	149,633	182,574	528,693
Total financial liabilities		**6,871**	**11,585**	**9,575**	**194,076**	**150,324**	**183,804**	**556,235**

'000 USD	Weighted average effective interest rate	On demand	Less than one month	One to three months	Three months to one year	One to five years	After the fifth year	Contractual amount 31 December 2007
Financial liabilities								
Trade and other payables	-	14,327	4,279	9,075	-	-	-	27,681
Finance lease liability	13.0%	-	164	329	1,480	7,892	16,278	26,143
Loans	10.3%	-	882	-	103,000	90,210	1,983	196,075
Total financial liabilities		**14,327**	**5,325**	**9,404**	**104,480**	**98,102**	**18,261**	**249,899**

43. FINANCIAL INSTRUMENTS

Carrying amounts of financial assets and liabilities as of 31 December 2008 and 2007 are as follows:

Financial assets and liabilities

	31 December 2008 '000 USD	31 December 2007 '000 USD
Liquid assets	254,839	447,565
Trade and other receivables	55,337	38,973
Total financial assets	**310,176**	**486,538**
Financial liabilities – current	222,058	131,972
Financial liabilities – non current	333,110	104,534
Total financial liabilities	**555,168**	**236,506**
Net financial position	**(244,992)**	**250,032**

By category

	31 December 2008 '000 USD	31 December 2007 '000 USD
Loans and receivables	57,853	59,446
Available-for-sale assets	252,323	427,092
Total financial assets	**310,176**	**486,538**
Financial liabilities at amortized cost	555,168	236,506
Total financial liabilities	**555,168**	**236,506**
Net financial position	**(244,992)**	**250,032**

Management believes that the fair value of its financial assets and liabilities as of 31 December 2008 approximates their carrying amounts except for the following long-term borrowings:

'000 USD	Currency	Fair value	Carrying amount
JSCB Savings bank of the Russian Federation	USD	158,998	186,131
ING Bank N.V.	USD	133,146	149,900
Agrorezerv LLC	RUB	1,152	1,785
		293,296	**337,816**

Management considers that the fair value of financial instruments held by the Group did not materially differ from their carrying amounts as of 31 December 2007.

44. COMPOSITION OF THE GROUP

The principal activities and countries of incorporation of the major entities of the Group as of 31 December 2008 and 2007 are as follows:

Operating entity	Project	Principal activity	% held as of 31 December 2008	% held as of 31 December 2007	Country of incorpo-ration
Growth Technologies (Russia) Limited	Group's projects	Providing consulting services in connection with investment in real estate market; Co-investing in real estate projects	100%	100%	Cyprus
Pavlovo LLC	Pavlovo	Investing in, developing, managing and disposing Pavlovo project assets	100%	100%	Russia
Pavlovo Podvorye LLC	Pavlovo Podvorye	Investing in, developing, managing and disposing Pavlovo Podvorye project assets	100%	100%	Russia
Stroy Invest Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Sakharova Business Plaza LLC	Domnikov Class A Business Centre	Land lease holding company. Investing in, developing, managing and disposing Domnikov project assets	100%	100%	Russia
Estate Management LLC	Group's project	Development, sale and property management of projects assets	100%	100%	Russia
OI Management Company LLC	Group's projects	Investing in, developing, managing and disposing of future projects assets	100%	100%	Russia
Pestovo LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo project assets	100%	100%	Russia
JSC Hotel Novoslobodskaya	Novotel Moscow Center Hotel	Providing hotel services	100%	100%	Russia
Stroy Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2008	% held as of 31 December 2007	Country of incorpo-ration
OPIN Plaza LLC	OPIN Plaza	Investing in, developing, managing and disposing of a Class A Office Center's assets	100%	100%	Russia
Belyi Parus LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	100%	Russia
Lukino LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
CP Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia
Onigomati Investment Limited	Group's project	Realisation of the employee share-based payments program	100%	100%	Cyprus
Eko-Center LLC	Gorki-10	Investing in, developing, managing and disposing Gorki-10 project assets	100%	100%	Russia
Lukino-Invest LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Instroy LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Istok LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	100%	Russia
Regional development LLC	Zavidovo	Investing in, developing, managing and disposing of Zavidovo project assets in Tver region	100%	100%	Russia
Extern LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	100%	Russia
Invest Service LLC	Zavidovo	Investing in, developing, managing and disposing of Zavidovo project assets in Tver region	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2008	% held as of 31 December 2007	Country of incorpo-ration
Agrosistema LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	100%	Russia
Timonino LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Viceroy Homes Limited	Group's project	Production and distribution of fabricated homes	100%	-	Canada
Roza vetrov LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
Agroindustry LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia
Russkaya zemlya LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
Volzhskie prostory LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Farafonovka LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Solar coast LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia