JSC Open Investments and Subsidiaries

Consolidated Interim Condensed Financial Statements, prepared in accordance with International Financial Reporting Standards (“IFRS”)

For the Six Months Ended 30 June 2005

JSC OPEN INVESTMENTS AND SUBSIDIARIES

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JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET
AS OF 30 JUNE 2005

	Notes	30 June 2005 '000 USD	31 December 2004 '000 USD
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	4	669	633
Property, plant and equipment	5	59,318	49,510
Capital advances	6	12,065	-
Other non-current assets	7	27,117	-
Investment property	8	19,394	28,000
Land under construction, including land improvements	9	183,932	67,327
		302,495	145,470
DEFERRED TAX ASSETS	14	384	469
CURRENT ASSETS:			
Land held for resale		27,943	24,076
Inventories		258	410
Advances paid		3,329	4,902
Value added tax recoverable		9,427	12,576
Receivable from customers under construction contracts		2,273	3,854
Trade accounts receivable		936	661
Other receivables and prepaid expenses		1,008	1,051
Loans issued	10	3,828	8,480
Cash and cash equivalents	11	30,746	58,358
		79,748	114,368
TOTAL ASSETS		382,627	260,307
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	12	119,797	119,797
Additional paid-in-capital	13	19,024	19,024
Revaluation reserve		46,414	23,247
Retained earnings		24,704	20,482
		209,939	182,550
DEFERRED TAX LIABILITIES	14	30,811	12,801
NON-CURRENT LIABILITIES:			
Long-term loans	15	77,973	26,321
		77,973	26,321

JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (CONTINUED)
AS OF 30 JUNE 2005

	Notes	30 June 2005 '000 USD	31 December 2004 '000 USD
CURRENT LIABILITIES:			
Short-term loans	16	260	528
Accrued interests		1,180	46
Trade accounts payable	17	22,246	10,226
Other payables and accrued expenses	18	6,982	375
Tax liability, other than income tax		686	643
Current income tax liability	14	16	231
Payable to customers under construction contracts		32,534	26,586
		63,904	38,635
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		382,627	260,307

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 11 to 32 form an integral part of these consolidated interim condensed financial statements.

JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 '000 USD	Six months ended 30 June 2004 '000 USD	Pro forma statement (Note 3) (restated) Six months ended 30 June 2004 '000 USD
REVENUE				
Rental income from investment property		1,524	1,707	1,707
Revenue under construction contracts		22,669	11,623	11,623
Land sold		-	734	734
Hotel revenue		8,138	-	-
Other revenue		332	-	-
		32,663	14,064	14,064
COST OF SALES				
Cost of the construction contracts		(12,455)	(5,197)	(5,197)
Cost of land sold		-	(734)	(734)
Cost of hotel services	19	(5,349)	-	-
		(17,804)	(5,931)	(5,931)
GROSS PROFIT		14,859	8,133	8,133
Selling, general and administrative expenses	20	(5,492)	(2,691)	(2,691)
OPERATING PROFIT		9,367	5,442	5,442
Finance costs, net	21	(1,088)	(1,521)	(1,521)
Gain on investment property revaluation		-	1,500	1,500
Net loss on foreign currency operations		(1,826)	(268)	(268)
Other income		43	485	485
Other expenses		(266)	(157)	(157)
		(3,137)	39	39

JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 '000 USD	Six months ended 30 June 2004 '000 USD	Pro forma statement (Note 3) (restated) Six months ended 30 June 2004 '000 USD
PROFIT BEFORE INCOME TAX AND CHANGES IN ACCOUNTING POLICY		6,230	5,481	5,481
Cumulative effect of change in accounting policy		-	8,730	-
PROFIT BEFORE INCOME TAX		6,230	14,211	5,481
INCOME TAX (including the effect of change in accounting policy)	14	(2,008)	(2,945)	(850)
NET PROFIT		4,222	11,266	4,631
PER SHARE in USD (basic and diluted)	22	1.18	6.29	2.59

Sergey V. Bachin

General Director of JSC Open Investments

«Открытые инвестиции» JSC «O. Investments» МОСКВА

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JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2005

	Notes	Three months ended 30 June 2005 '000 USD	Three months ended 30 June 2004 '000 USD
REVENUE			
Rental income from investment property		770	1,069
Revenue under construction contracts		17,050	10,308
Land sold		-	734
Hotel revenue		4,622	-
Other revenue		112	-
		22,554	12,111
COST OF SALES			
Cost of the construction contracts		(9,717)	(4,435)
Cost of land sold		-	(734)
Cost of hotel services	19	(3,224)	-
		(12,941)	(5,169)
GROSS PROFIT		9,613	6,942
Selling, general and administrative expenses	20	(2,532)	(1,404)
OPERATING PROFIT		7,081	5,538
Finance costs, net	21	(635)	(805)
Gain on investment property revaluation			1,500
Net loss on foreign currency operations		(1,584)	(790)
Other expenses, net		(82)	(335)
		(2,301)	(430)

IFRS CONSOLIDATED INTERIM CONDENSED INCOME STATEMENT (CONTINUED) FOR THE THREE MONTHS ENDED 30 JUNE 2005

	Notes	Three months ended 30 June 2005 '000 USD	Three months ended 30 June 2004 '000 USD
PROFIT BEFORE INCOME TAX		4,780	5,108
INCOME TAX	14	(1,337)	(652)
NET PROFIT		3,443	4,456
PER SHARE in USD (basic and diluted)	22	0.96	2.49

Sergey V. Bachin

General Director of JSC Open Investments

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JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2005

'000 USD	**Share capital**	**Additional paid-in-capital**	**Revaluation reserve**	**Retained earnings**	**Total shareholders' equity**
Balance as of 31 December 2003	56,636	-	9,426	8,148	74,210
Net profit for the six months	-	-	-	11,266	11,266
Dividends declared	-	-	-	(1,864)	(1,864)
Revaluation surplus (net of income tax of USD 1,314 thousand)	-	-	4,162	-	4,162
Revaluation on fixed assets disposal (net of income tax of USD 65 thousand)	-	-	(206)	206	-
Balance as of 30 June 2004	**56,636**	**-**	**13,382**	**17,756**	**87,774**
Balance as of 31 December 2004	119,797	19,024	23,247	20,482	182,550
Net profit for the six months	-	-	-	4,222	4,222
Revaluation surplus (net of income tax of USD 7,316 thousand)	-	-	23,167	-	23,167
Balance as of 30 June 2005	**119,797**	**19,024**	**46,414**	**24,704**	**209,939**

IFRS CONSOLIDATED INTERIM CONDENSED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2005

Pro forma statement (Note 3) (restated)

'000 USD	Share capital	Additional paid-in-capital	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance as of 31 December 2003	56,636	-	9,426	14,783	80,845
Net profit for the six months	-	-	-	4,631	4,631
Dividends declared	-	-	-	(1,864)	(1,864)
Revaluation surplus (net of income tax of USD 1,314 thousand)	-	-	4,162	-	4,162
Revaluation on fixed assets disposal (net of income tax of USD 65 thousand)	-	-	(206)	206	-
Balance as of 30 June 2004	**56,636**	**-**	**13,382**	**17,756**	**87,774**
Balance as of 31 December 2004	119,797	19,024	23,247	20,482	182,550
Net profit for the six months	-	-	-	4,222	4,222
Revaluation surplus (net of income tax of USD 7,316 thousand)	-	-	23,167	-	23,167
Balance as of 30 June 2005	**119,797**	**19,024**	**46,414**	**24,704**	**209,939**

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 11 to 32 form an integral part of these consolidated interim condensed financial statements.

JSC OPEN INVESTMENTS AND SUBSIDIARIES

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 000'USD	Six months ended 30 June 2004 000'USD	Pro forma statement (Note 3) (restated) Six months ended 30 June 2004 000'USD
OPERATING ACTIVITIES:				
Profit before income tax		6,230	14,211	5,481
Adjustments for:				
Depreciation		966	7	7
Interest income		(599)	(120)	(120)
Interest expense		1,687	1,641	1,641
Revaluation of investment property			(10,230)	(1,500)
Operating cash flow before movements in working capital		8,284	5,509	5,509
Decrease / (increase) in inventories		152	(428)	(428)
Decrease / (increase) in receivables under construction contracts		1,581	(1,504)	(1,504)
Decrease / (increase) in other receivables and prepaid expenses		104	(5,910)	(5,910)
Increase in trade receivables		(274)	(5,084)	(5,084)
Increase in value added tax receivable		(2,501)	(2,041)	(2,041)
Decrease in advances paid		1,622	519	519
Decrease in trade accounts payable		(1,980)	(1,301)	(1,301)
(Decrease) / increase in other payables and accrued expenses		(153)	1,028	1,028
Increase in payable under construction contracts		5,948	12,742	12,742
Increase/(decrease) in other tax liability		39	(7)	(7)
Cash provided by operations		12,822	3,523	3,523
Interest paid		(1,241)	(1,665)	(1,665)
Income tax paid		(291)	(315)	(315)
Net cash from operating activities		11,290	1,543	1,543
INVESTING ACTIVITIES:				
Acquisition of subsidiaries	24	(21,990)	-	-
Purchase of property, plant and equipment and other non-current assets		(40,933)	(1,692)	(1,692)
Land and land improvements		(31,659)	(7,173)	(7,173)
Loans issued		(6,472)	-	-
Loans repaid		9,947	-	-
Interests received		751	120	120
Net cash used in investing activities		(90,356)	(8,745)	(8,745)

IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 000'USD	Six months ended 30 June 2004 000'USD	Pro forma statement (Note 3) (restated) Six months ended 30 June 2004 000'USD
FINANCING ACTIVITIES:				
Proceeds from bank loans		53,271	5,000	5,000
Repayment of bank loans		(1,782)	-	-
Net cash from financing activities		51,489	5,000	5,000
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(35)	(251)	(251)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(27,612)	(2,453)	(2,453)
CASH AND CASH EQUIVALENTS, beginning of the period	11	58,358	17,009	17,009
CASH AND CASH EQUIVALENTS, end of the period	11	30,746	14,556	14,556

Interests capitalized by the Group during the six months ended 30 June 2005 amounted to USD 830 thousand. Capitalized interests in the amount of USD 658 thousand were unpaid as of 30 June 2005.

The Group did not capitalize any interests during the six months ended 30 June 2004.

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 11 to 32 form an integral part of these consolidated interim condensed financial statements.

1. NATURE OF THE BUSINESS

JSC Open Investments (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 as follows: Novoslobodskaya str., 23, Moscow, 127055, Russian Federation.

The Company is a parent company of a group of entities consolidated in the financial statements (the "Group") as of 30 June 2005.

The principal activities and countries of incorporation of the entities of the Group as of 30 June 2005, 31 December 2004 and 30 June 2004 are as follows:

Operating Entity	Project	Principal Activity	Investment share as of 30 June 2005	Investment share as of 31 December 2004	Investment share as of 30 June 2004	Country of incorporation
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%	100%	Cyprus
Pavlovo LLC	Pavlovo	Investing in, developing, managing and disposing Pavlovo project assets	100%	100%	100%	Russia
Closed Unit Investment Fund Novy Dom ("New House") managed by OOO Management Company Rosbank	Pavlovo and other Group's residential projects	Investing in Pavlovo project and other residential projects of the Group	100%	100%	100%	Russia
Pavlovo Podvorye LLC	Pavlovo Podvorye	Investing in, developing, managing and disposing Pavlovo Podvorye project assets	100%	100%	100%	Russia
Stroy Invest Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	100%	Russia
Sakharova Business Plaza LLC	Sakharova Business Plaza project	Land lease holding company. Investing in, developing, managing and disposing Sakharova Business Plaza project assets	100%	100%	100%	Russia

Operating Entity	Project	Principal Activity	Investment share as of 30 June 2005	Investment share as of 31 December 2004	Investment share as of 30 June 2004	Country of incorpora-tion
Bank Tower LLC	Sakharova Business Plaza project	Investor and future owner of the Rosbank Building	100%	100%	100%	Russia
Sakharov Office Park LLC	Sakharova Business Plaza project	Investor and future owner of the Commercial Part of Sakharova Business Plaza	100%	100%	100%	Russia
Investproject Group LLC	An A Class Office Center	Investing in, developing, managing and disposing of a Class A Office Centre assets	100%	100%	100%	Russia
Park Plaza LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	100%	100%	Russia
Estate Management LLC	Group's project	Development, sale and property management of a future project assets	100%	100%	100%	Russia
Invest Group LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	100%	-	Russia
OI Management Company LLC	Group's project in Tver Region	Investing in, developing, managing and disposing of a future Tver project assets	100%	100%	-	Russia
ExpoDom LLC	Group's real property	Providing property management and maintenance services	100%	100%	-	Russia
IR Development Ltd	Group's development projects	Providing technical supervision and construction management services	100%	100%	-	Russia
Pestovo LLC	Pestovo	Investing in, developing, managing and disposing Pestovo project assets	100%	100%	-	Russia
Open Investments – Saint Petersburg LLC	Group's projects in Saint-Petersburg	Investing in, developing, managing and disposing of future Saint-Petersburg projects' assets	100%	100%	-	Russia
Zhilaya i Commercheskaya Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	100%	-	Russia
JSC Hotel Novoslobod-skaya	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%	-	-	Russia

Operating Entity	Project	Principal Activity	Investment share as of 30 June 2005	Investment share as of 31 December 2004	Investment share as of 30 June 2004	Country of incorpora-tion
Project Capital LLC	Martemia-novo	Investing in, developing, managing and disposing Martemianovo project assets	100%	-	-	Russia
Stroy Service Group LLC	Martemia-novo	Investing in, developing, managing and disposing Martemianovo project assets	100%	-	-	Russia
Martemianovo LLC	Martemia-novo	Investing in, developing, managing and disposing Martemianovo project assets	100%	-	-	Russia

These financial statements were authorized for issue on 29 August 2005 by General Director of JSC Open Investments.

2. PRESENTATION OF FINANCIAL STATEMENTS

Basis of presentation **-** The consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard No.34 “Interim Financial Reporting” (“IAS 34”). These consolidated interim condensed financial statements should be read together with the consolidated financial statements for the year ended 31 December 2004, prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements are presented in thousands of United States Dollars (“USD”), except for per share amounts and unless otherwise indicated.

All entities of the Group, except for Growth Technologies (Russia) Limited maintain their accounting records in Russian Roubles (“RUR”) in accordance with the accounting and reporting regulations of the Russian Federation. Growth Technologies (Russia) Limited maintains its accounting records in USD and in accordance with IFRS.

Russian statutory accounting principals and procedures differ substantially from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Russian statutory accounting records for the entities of the Group domiciled in the Russian Federation, reflect adjustments necessary for such financial statements to be presented in accordance with IAS 34.

The relevant exchange rate of the Central Bank of the Russian Federation used in translating the financial statements of the entities domiciled in the Russian Federation into US Dollars was USD 1 = 28.6721 RUR as of 30 June 2005 and USD 1 = 27.7487 RUR as of 31 December 2004.

The translation of RUR denominated assets and liabilities into USD as of 30 June 2005 and 31 December 2004 does not indicate that the Group could realize, or settle in USD, the translated value of these assets and liabilities as well as to distribute the disclosed amount of shareholders’ equity to shareholders.

Reclassifications **-** Certain reclassifications have been made to the consolidated financial statement for the six and three months ended 30 June 2004 and for the three months ended 30 June 2005 to conform to the current period presentation.

Use of estimates and assumptions - The preparation of consolidated interim condensed financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2004.

Changes in accounting policy - In 2004 the Group made a decision to account for the investment property using the fair value model including the gain from a change in the fair value of investment property in net profit or loss for the period in which it arises. As of 31 December 2003 the investment property was accounted for using the cost model.

In accordance with IAS No. 8, "Net Profit and Loss for the Period, Fundamental Errors and Changes in Accounting Policy", changes classified as a change in accounting policy are applied retrospectively to ensure enhanced reflection of events and transactions, presentation of more relevant and reliable information. The Group elected the allowed alternative treatment, thus all adjustments due to change in accounting policy related to the previous periods are reflected in adjustment of the net profit or loss for the six months ended 30 June 2005. Pro forma comparative information as if the new accounting policy had always been in use is presented as appropriate.

The Group's balance sheet as of 31 December 2003 included USD 8,148 thousand in retained earnings. Due to adjustment of the balance sheet as of 31 December 2003 in connection with change in accounting policy the retained earnings have increased by USD 6,635 thousand.

4. GOODWILL

	'000 USD
At 31 December 2004	633
Acqusition of subsidiaries (Note 24)	36
At 30 June 2005	**669**

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 30 June 2005 and 31 December 2004 consisted of the following:

'000 USD	**Buildings**	**Fittings and fixtures**	**Machinery and equipment**	**Transport**	**Furniture and office equipment**	**Construction in progress**	**Total**
Cost							
At 31 December 2004	37,600	91	646	86	464	11,051	49,938
Additions	-	-	26	59	90	1,992	2,167
Acquisition of subsidiaries (Note 24)	-	-	-	-	1	-	1
Transfer from investment property (Note 8)	8,606	-	-	-	-	-	8,606
Transfers	-	4,512	737	-	-	(5,249)	-
At 30 June 2005	46,206	4,603	1,409	145	555	7,794	60,712
Accumulated depreciation							
At 31 December 2004	-	13	298	12	105	-	428
Charge for the period	575	294	43	11	43	-	966
At 30 June 2005	575	307	341	23	148	-	1,394
Net Book Value							
At 31 December 2004	**37,600**	**78**	**348**	**74**	**359**	**11,051**	**49,510**
At 30 June 2005	**45,631**	**4,296**	**1,068**	**122**	**407**	**7,794**	**59,318**

Construction in progress includes mainly construction of the A. I. Raikin Retail and Entertainment Centre and infrastructure of Pavlovo Cottage Community.

As of 30 June 2005 building with a book value of USD 37,129 thousand has been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 15).

During the six months ended 30 June 2005 the Group capitalized interests in construction in progress in the amount of USD 24 thousand.

6. CAPITAL ADVANCES

During the six months ended 30 June 2005 the Group capitalized interests in advances paid for capital expenses in the amount of USD 55 thousand.

7. OTHER NON-CURRENT ASSETS

Other non-current assets as of 30 June 2005 represent promissory notes given as advance payment for the acquisition of non-current assets.

During the six months ended 30 June 2005 the Group capitalized interests in other non-current assets in the amount of USD 355 thousand.

8. INVESTMENT PROPERTY

	'000 USD
At 31 December 2004	28,000
Transfer to property, plant and equipment (Note 5)	(8,606)
At 30 June 2005	**19,394**

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to USD 1,524 thousand and USD 1,707 thousand, respectively for the six months ended 30 June 2005 and 2004. Direct operating expenses arising on the investment property amounted to USD 571 thousand and USD 668 thousand, respectively for the six months ended 30 June 2005 and 2004.

9. LAND UNDER CONSTRUCTION, INCLUDING LAND IMPROVEMENTS

As of 30 June 2005 and 31 December 2004, land under construction, including land improvements consisted of:

'000 USD	Land plots	Land improvements	Total
At 31 December 2004	50,120	17,207	67,327
Additions	24,634	25,373	50,007
Acqusition of subsidiaries (Note 24)	52,436	-	52,436
Revaluation	30,483	-	30,483
Transfer to land for resale	(3,866)	-	(3,866)
Transfer to cost of construction contracts	-	(12,455)	(12,455)
At 30 June 2005	**153,807**	**30,125**	**183,932**

Land is recorded at revalued amount determined by independent appraisers considering the existing improvements but without account for incurred costs of putting these improvements.
Such improvements are accounted for at cost.

During the six months ended 30 June 2005 the Group capitalized interests in land under construction in the amount of USD 396 thousand.

On 27 July 2005 land under construction with a book value of USD 52,400 thousand was pledged as collateral under the loan received from JSCB ROSBANK (Note 15).

10. LOANS ISSUED

Loans issued as of 30 June 2005 and 31 December 2004 consisted of:

	Interest rate	Currency	30 June 2005 '000 USD	31 December 2004 '000 USD
Southbrook LLC	4%	USD equivalent	1,712	-
Federatsiya profsoyusov samarskoy oblasty	0%	USD equivalent	1,700	-
Skortex LLC	0%	RUR	342	-
Beliy Parus LLC	3%	RUR	53	-
Penati 1	14.3%	RUR	21	-
First London Sales Limited	9.0%	USD	-	3,431
PDM-Service LLC	3.5%	RUR	-	2,728
Velednikovo LLC	3.0%	RUR	-	199
Deviz-2000 LLC	2.0%	RUR	-	154
Stroy Group LLC	from 2.0% to 17.5%	RUR	-	76
Ordinary promissory notes of "Color avto-2000" LLC	0%	RUR		1,892
Total			**3,828**	**8,480**

All loans except for loan to First London Sales Limited, Penati 1 and Southbrook LLC were granted at the above rates because those loans were issued as part of project acquisition structures.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 30 June 2005 and 31 December 2004 consisted of the following:

	30 June 2005 '000 USD	31 December 2004 '000 USD
Cash in banks, in RUR	20,532	17,701
Cash in banks, in Hard Currency	10,090	10,193
Petty cash	11	6
Short-term bank deposits	113	30,458
Total	**30,746**	**58,358**

12. SHARE CAPITAL

As of 30 June 2005 and 31 December 2004 the Group had 3,590,000 ordinary shares issued and fully paid with a par value of 1,000 RUR each.

In June 2004 the Group declared dividends for the year ended 31 December 2003 amounting to USD 1,864 thousand.

13. ADDITIONAL PAID-IN-CAPITAL

Additional paid-in-capital as of 30 June 2005 and 31 December 2004 consisted of the following:

	30 June 2005 '000 USD	31 December 2004 '000 USD
Premium arising on issue of shares	22,876	22,876
Less: Underwriting fees	(3,349)	(3,349)
Less: Legal and consulting fees	(503)	(503)
Total	**19,024**	**19,024**

14. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Russian statutory tax regulations which may differ from International Financial Reporting Standards. During the six months ended 30 June 2005 and 2004, the Russian's tax rate for corporations' for profits other than on state securities was 24%. The tax rate for interest income on state securities was 15% for Federal taxes.

Income tax assets and liabilities consist of the following:

	30 June 2005 '000 USD	31 December 2004 '000 USD
Deferred income tax assets	(384)	(469)
Current income tax liabilities	16	231
Deferred income tax liabilities	30,811	12,801
Income tax liabilities, net	**30,443**	**12,563**

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime for certain income 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 30 June 2005 and 31 December 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 30 June 2005 and 31 December 2004 comprises:

	30 June 2005 '000 USD	31 December 2004 '000 USD
Deferred assets:		
Loss carry forward	7,098	-
Fixed assets	3,531	3,685
Other payables and accrued expenses	471	586
Effect of foreign currency translation of assets	428	3,495
Total deferred assets	**11,528**	**7,766**

	30 June 2005 '000 USD	31 December 2004 '000 USD
Deferred liabilities:		
Fixed assets	4,618	-
Land	98,542	30,859
Investment property	7,778	11,230
Payable under construction contracts	26,425	17,062
Effect of foreign currency translation of assets	944	-
Total deferred liabilities	**138,307**	**59,151**

	30 June 2005 '000 USD	31 December 2004 '000 USD
Net deferred liabilities	(126,779)	(51,385)
Deferred income tax liability	(30,811)	(12,801)
Deferred income tax asset	384	469
Net deferred income tax liability	(30,427)	(12,332)

Relationships between tax expenses and accounting profit for the six months ended 30 June 2005 and 2004, are explained as follows:

	Six months ended 30 June 2005 '000 USD	Six months ended 30 June 2004 '000 USD	Pro forma statement (Note 3) (restated) Six months ended 30 June 2004 '000 USD
Profit before income taxes	**6,230**	**14,211**	**5,481**
Statutory tax rate	24%	24%	24%
Theoretical tax at the statutory tax rate of	1,495	3,411	1,316
Tax effect of permanent differences	513	(466)	(466)
Income tax expense	**2,008**	**2,945**	**850**
Income tax expense			
Deferred income tax expense	1,851	2,945	850
Current income tax expense	157	-	-
Income tax expense	**2,008**	**2,945**	**850**

Relationships between tax expenses and accounting profit for the three months ended 30 June 2005 and 2004, are explained as follows:

	Three months ended 30 June 2005 '000 USD	Three months ended 30 June 2004 '000 USD
Profit before income taxes	**4,780**	**5,108**
Statutory tax rate	24%	24%
Theoretical tax at the statutory tax rate of	1,147	1,226
Tax effect of permanent differences	190	(574)
Income tax expense	**1,337**	**652**
Income tax expense		
Deferred income tax expense	1,293	652
Current income tax expense	44	-
Income tax expense	**1,337**	**652**

Deferred income tax liabilities	**Six months ended 30 June 2005 '000 USD**	**Six months ended 30 June 2004 '000 USD**	**Six months ended 30 June 2004 (restated) '000 USD**
At the beginning of the period	12,801	3,836	5,931
Increase in the deferred income tax expense charged to income statement	1,766	2,945	850
Increase in the deferred income tax expense charged to shareholders' equity	7,316	1,314	1,314
Acqusition of subsidiaries (Note 24)	8,928	-	-
At the end of the period	**30,811**	**8,095**	**8,095**

Deferred income tax assets	**Six months ended 30 June 2005 '000 USD**	**Six months ended 30 June 2004 '000 USD**
At the beginning of the period	469	-
Decrease in deferred income tax assets charged to income statement	(85)	-
At the end of the period	**384**	**-**

Deferred income tax liabilities	Three months ended 30 June 2005 '000 USD	Three months ended 30 June 2004 '000 USD
At the beginning of the period	13,359	6,129
Increase in the deferred income tax expense charged to income statement	1,208	652
Increase in the deferred income tax expense charged to shareholders' equity	7,316	1,314
Acqusition of subsidiaries (Note 24)	8,928	-
At the end of the period	**30,811**	**8,095**

Deferred income tax assets	Three months ended 30 June 2005 '000 USD	Three months ended 30 June 2004 '000 USD
At the beginning of the period	469	-
Decrease in deferred income tax assets charged to income statement	(85)	-
At the end of the period	**384**	**-**

15. LONG-TERM LOANS

Long-term loans as of 30 June 2005 and 31 December 2004 consisted of the following:

	Interest rate	30 June 2005 '000 USD	31 December 2004 '000 USD
JSCB ROSBANK	11%	50,000	-
JSCB Savings bank of the Russian Federation	11%	24,750	25,000
JSC "FKS and Partners"	13%	2,834	-
JSC "FKS and Partners"	14%	389	-
Accor Limited Company	9%	-	1,321
Total		**77,973**	**26,321**

As of 30 June 2005 the shares of JSC Hotel Novoslobodskaya and building with a book value of USD 37,129 thousand have been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 5).

On 27 July 2005 100% stake in Martemianovo LLC and land under construction with a book value of USD 52,400 thousand was pledged as collateral under the loan received from JSCB ROSBANK (Note 9).

Long-term loan as of 30 June 2005 and 31 December 2004 are repayable as follows:

	30 June 2005 '000 USD	**31 December 2004 '000 USD**
Within one year	250	528
In the second year	2,500	2,028
In the third to fifth years inclusive	75,084	24,293
After five years	389	-
Less: current portion of long-term loans (Note 16)	(250)	(528)
Total	**77,973**	**26,321**

On 15 January 2005 the Group has fully repaid the loan from Accor Limited Company before maturity.

16. SHORT-TERM LOANS

Short-term loans as of 30 June 2005 and 31 December 2004 consisted of the following:

	Interest rate	**30 June 2005 '000 USD**	**31 December 2004 '000 USD**
Current portion of long-term loan from JSCB Savings bank of the Russian Federation (Note 15)	11%	250	-
Operate International Investment Limited	2%	5	-
Porto Salvo Services Group Limited	2%	5	-
Current portion of long-term loan from Accor Limited Company (Note 15)	9%	-	528
Total		**260**	**528**

17. TRADE ACCOUNTS PAYABLE

Trade accounts payable as of 30 June 2005 and 31 December 2004 consisted of the following:

	30 June 2005 '000 USD	**31 December 2004 '000 USD**
Trade payables to suppliers and service providers	20,938	8,861
Advances received	1,308	1,365
Total	**22,246**	**10,226**

18. OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other accounts payable and accrued expenses of 30 June 2005 and 31 December 2004 consisted of the following:

	30 June 2005 '000 USD	31 December 2004 '000 USD
Accounts payable on acquisition of subsidiary (Note 24)	6,287	-
Promissory notes issued	261	-
Other accounts payable and accrued expenses	434	375
Total	**6,982**	**375**

19. COST OF HOTEL SERVICES

Cost of hotel services for the six months and three months ended 30 June 2005 and 2004 consisted of the following:

	Six months ended 30 June 2005 '000 USD	Three months ended 30 June 2005 '000 USD	Six months ended 30 June 2004 '000 USD	Three months ended 30 June 2004 '000 USD
Payroll	1,119	523	-	-
Management fees	812	528	-	-
Materials	579	246	-	-
Depreciation of fixed assets	540	298	-	-
Property tax	430	430	-	-
Repairs and maintenance	385	270	-	-
Payroll taxes	339	204	-	-
Bank charges	182	157	-	-
Professional services	131	97	-	-
Commissions	130	34	-	-
Laundry expenses	108	58	-	-
Insurance	72	37	-	-
Security expenses	71	54	-	-
Communication and TV expenses	45	22	-	-
Decoration expenses	20	9	-	-
Other expenses	386	257	-	-
Total	**5,349**	**3,224**	**-**	**-**

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the six months and three months ended 30 June 2005 and 2004 consisted of the following:

	Six months	Three months	Six months	Three months
	ended 30 June 2005 '000 USD		ended 30 June 2004 '000 USD	
Payroll	2,405	652	226	170
Brokerage fees	1,004	556	466	284
Depreciation of fixed assets	426	406	7	6
Advertising	265	139	47	31
Property tax	261	164	200	100
Professional services	225	145	60	30
Bank charges	162	159	-	-
Public utilities	153	64	162	85
Repairs and maintenance	130	48	289	190
Rent expense	38	18	81	59
Insurance	28	10	11	6
Management fees	-	-	1,015	388
Other expenses	395	171	127	55
Total	**5,492**	**2,532**	**2,691**	**1,404**

21. FINANCE COSTS, NET

Finance costs for the six months and three months ended 30 June 2005 and 2004 consisted of the following:

	Six months	Three months	Six months	Three months
	ended 30 June 2005 '000 USD		ended 30 June 2004 '000 USD	
Interest income	599	362	120	33
Interest expense	(1,687)	(997)	(1,641)	(838)
Total	**(1,088)**	**(635)**	**(1,521)**	**(805)**

22. 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 profit for the period ('000 USD)	Earnings per share (in USD)	Weighted average number of shares outstanding during the period	Net profit for the period ('000 USD)	Earnings per share (in USD)
Six months ended 30 June 2005	3,590,000	4,222	1.18	3,590,000	4,222	1.18
Six months ended 30 June 2004	1,790,000	11,266	6.29	1,790,000	11,266	6.29
Six months ended 30 June 2004 (restated)	1,790,000	4,631	2.59	1,790,000	4,631	2.59
Three months ended 30 June 2005	3,590,000	3,443	0.96	3,590,000	3,443	0.96
Three months ended 30 June 2004	1,790,000	4,456	2.49	1,790,000	4,456	2.49

23. SUBSEQUENT EVENTS

In August 2005 the Group sold 100% ownership interest in Bank Tower LLC. As a result of operation the Group decreased the share in the charter capital of Sakharova Business Plaza LLC from 100% to 60%.

24. ACQUISITION OF SUBSIDIARIES

In April 2005 the Group acquired 100% ownership interest in Stroy Group LLC for the total price of USD 12.6 million, USD 6.3 million of which was paid in cash and the remaining portion is payable within 18 months. This transaction has been accounted for by the purchase method of accounting. Goodwill recognized on this transaction represents excess of consideration given over fair value of the identifiable assets and liabilities at the date of the acquisition.

In June 2005 the Group acquired 100% ownership interest in Project Capital LLC, Stroy Service Group LLC and Martemianovo LLC for the total price of USD 28.4 million. This transaction has been accounted for by the purchase method of accounting. No goodwill was recognized on this transaction, as consideration given was equal to fair value of the identifiable assets and liabilities at the date of the acquisition.

At the dates of the acquisition:

	‘000 USD
Net assets acquired:	
Land under construction, including land improvements	52,436
Property, plant and equipment	1
Advances paid	49
Value added tax receivable	1
Trade accounts receivable	1
Other receivables and prepaid expenses	11
Cash and cash equivalents	159
Loans	(853)
Trade accounts payable	(14,000)
Other payables and accrued expenses	(473)
Tax liabilities, other than income tax liabilities	(4)
Deferred tax liabilities	(8,928)
	28,400
Total consideration	**28,436**
Satisfied by cash	22,149
Accounts payable on acquisition of subsidiary (Note 18)	6,287
Goodwill	36
Net cash outflow arising on acquisition:	
Cash consideration	(22,149)
Cash and cash equivalents acquired	159
	(21,990)

25. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 “Related Parties Disclosures”, are those counter parties that represent:

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

(b) associates – enterprises in which the Group has significant influence and which is 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 and close members of the families of such individuals; and

(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.

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 30 June 2005 and 31 December 2004:

	30 June 2005		**31 December 2004**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Long-term loans	50,000	77,973	-	-
Accrued interests	1,070	1,180	-	-
Trade payables to suppliers and service providers	-	20,938	5,215	8,861
Payable to customers under construction contracts	663	32,534	608	26,586
Receivable from customers under construction contracts	-	2,273	419	3,854
Other accounts payable and prepaid expenses	81	1,008	-	1,051
Advances paid	-	3,329	48	4,902
Cash and cash equivalents	28,857	30,746	44,143	58,358

Included in the consolidated income statement for the six months ended 30 June 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2005		**Six months ended 30 June 2004**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Management fees	-	-	(1,015)	(1,015)
Interest expense	(447)	(1,687)	(1,641)	(1,641)
Public utilities	-	(153)	(81)	(162)
Revenue under construction contracts	184	22,669	280	11,623

During the six months ended 30 June 2005 the Group received the loan from a related bank amounting to USD 50,000 thousand. During the six months ended 30 June 2005 the Group accrued loan interests in the amount of USD 1,070 thousand from which USD 447 thousand are recorded as interest expense and USD 623 thousand are capitalized in cost of long-term assets.

During the six months ended 30 June 2005 the Group obtained an irrevocable bank guarantee to secure liabilities under the government contract (Note 26) from a related bank amounting to RUR 279,855 thousand. In June 2005 the Group paid bank commission in the amount of USD 98 thousand (or RUR 2,799 thousand).

During the six months ended 30 June 2004 the Group received the loan from a related bank amounting to USD 5,000 thousand.

Included in the consolidated income statement for the three months ended 30 June 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	Three months ended 30 June 2005		Three months ended 30 June 2004	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Management fees	-	-	(388)	(388)
Interest expense	(447)	(997)	(838)	(838)
Revenue under construction contracts	163	17,050	280	10,308

Transactions with related parties entered by the Group during the six month and three months ended 30 June 2005 and 2004 and outstanding as of 30 June 2005 and 31 December 2004 were made in the normal course of business, and mostly under arms-length conditions and on commercial terms.

26. BUSINESS SEGMENTS

Financial information relating to the Group's consolidated segments are as follows for the six months ended 30 June 2005 and 2004:

	Residential property	**Commercial property development**	**Commercial property**	**Hotel operations**	**Others**	**Group's total**
						Six months ended 30 June 2005 '000 USD
REVENUE						
External sales	22,669	-	1,524	8,138	332	32,663
RESULT						
Segment operating profit	8,081	-	953	2,789	42	11,865
Unallocated expenses						(2,498)
Operating profit						9,367
Segment profit before income tax	8,081	-	953	1,257	42	10,333
Unallocated expenses, net						(4,103)
Profit before income tax						6,230

	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group's total
						Six months ended 30 June 2004 '000 USD
REVENUE						
External sales	12,357	-	1,707	-	-	14,064
RESULT						
Segment operating profit	5,326	-	1,039	-	-	6,365
Unallocated expenses						(923)
Operating profit						5,442
Segment profit before income tax and change of accounting policy	5,326	-	2,539	-	-	7,865
Unallocated expenses, net						(2,384)
Profit before income tax and change of accounting policy						5,481

Financial information relating to the Group's consolidated segments are as follows as of 30 June 2005 and 31 December 2004:

	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group's total
OTHER INFORMATION						**30 June 2005 '000 USD**
Segment assets	220,710	43,715	19,442	40,740	1,015	325,622
Unallocated assets						182,109
Eliminations						(125,104)
Total assets						382,627
Segment liabilities	121,051	19,283	3,243	14,099	902	158,578
Unallocated liabilities						139,214
Eliminations						(125,104)
Total liabilities						172,688

	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group's total
OTHER INFORMATION						**31 December 2004 '000 USD**
Segment assets	111,675	22,646	28,049	65,835	982	229,187
Unallocated assets						63,961
Eliminations						(32,841)
Total assets						260,307
Segment liabilities	49,623	236	9,251	40,574	732	100,416
Unallocated liabilities						10,182
Eliminations						(32,841)
Total liabilities						77,757

27. COMMITMENTS AND CONTINGENCIES

Capital commitments **-** The Group had no material non-cancelable commitments for capital expenditures outstanding as of 30 June 2005. The Group has early termination rights for all concluded capital construction contracts.

Operating leases **-** The Group's future minimum rental payments under non-cancelable operating leases of the land parcel for office building in effect as of 30 June 2005 and 31 December 2004 are presented in the table below.

	30 June 2005	31 December 2004
Not later than 1 year	157	210
Later than 1 year but not later than 5 years	319	330
Later than 5 years	167	165
Total operating lease	**643**	**705**

Liabilities under long-term contracts **–** In May 2005 the Group won the tender for participation as a general designer (vendor) under the government contract for the feasibility study of investments into construction of the Central Ring Road of the Moscow region. The tender was organized by the Federal state enterprise "Directorate of the state customer for the realization of the subprogram "Highways" of the federal target program "Modernization of the Russian Transport System (2002-2010 years)" of the Federal Highway Agency. For participation in the tender and further realization of this project an international consortium was organized. The government contract with the Federal state enterprise "Highways of Russia" of the Federal Highway Agency of the Ministry of Transport of the Russian Federation for the feasibility study of investments into construction of the Central Ring Road of the Moscow region was signed by IR Development LLC on behalf of the international consortium on 14 June 2005. Total contract amount comprises RUR 279,855 thousand, including VAT.

To secure the principal liability of IR Development LLC under the government contract on 15 June 2005 the Group obtained an irrevocable bank guarantee from JSCB ROSBANK amounting to RUR 279,855 thousand. The guarantee is issued until 15 August 2006. Quarterly bank commission comprises 1% of the guarantee's amount. Pavlovo LLC serves as a guarantor under the bank guarantee.

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 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 in a generally unstable environment 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. While the Group believes it has complied with all applicable regulations and requirements, the regulations are not always clearly written, it is difficult to predict future interpretations by regulatory authorities, and outcomes of such interpretations. The management of the Group considers the probability of any sanctions being undertaken by local authorities against the Group is remote, and believes that no fines or penalties will become payable. Management has assessed the Group's exposure as a result of the risk and believes the amount at possible risk for this period to be no greater than USD 10,823 thousand. Tax years remain open to review by the tax authorities for three years.

***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 2004 and 2003, 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.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.
The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 30 June 2005 and 31 December 2004 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

***Cash and cash equivalents* -** For these short-term instruments the carrying amount is a reasonable estimate of fair value.

***Trade and other accounts receivable* -** As of 30 June 2005 and 31 December 2004, the carrying amount of trade and other accounts receivable is a reasonable estimate of their fair value.

Loans issued – As of 30 June 2005 and 31 December 2004 the fair value of loans issued is USD 3,828 thousand and USD 8,272 thousand.

Long-term bank loans - As of 30 June 2005 and 31 December 2004, the carrying amount of the long-term borrowings from banks is a reasonable estimate of their fair value.

Trade and other accounts payable - As of 30 June 2005 and 31 December 2004, the carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.