RTM Limited Liability Company

Consolidated Interim Financial Statements
for the Six Months Ended 30 June 2006
together with Independent Auditors' Report

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated interim financial statements of RTM Limited Liability Company and its subsidiaries (the Group).

Management is responsible for the preparation of the consolidated interim financial statements that present fairly the interim financial position of the Group at 30 June 2006, the interim results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

In preparing the consolidated interim 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 interim financial statements; and
- Preparing the consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

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

On behalf of the Group's management the consolidated interim financial statements for the six months ended 30 June 2006 were authorized for issue on 30 September 2006 by:

Sirina K. Karimova	Alexei S. Seleznev
General Director of RTM LLC	Chief Financial Officer
Moscow	

30 September 2006

Independent auditors' report

To the Participants and the Board of Directors of RTM Limited Liability Company

We have audited the accompanying consolidated interim financial statements of the RTM Limited Liability Company and its subsidiaries (hereinafter the Group), which comprise the consolidated interim balance sheet as at 30 June 2006, the consolidated interim statement of income, consolidated interim statement of changes in equity, consolidated interim statement of cash flows for the six months ended 30 June 2006 and a summary of significant accounting policies and other explanatory notes. The accompanying consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit.

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

Our responsibility is to express an opinion on these consolidated interim 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 interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim 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 interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

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

In our opinion, the consolidated interim financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2006, and of its financial performance and its cash flows for the six months ended 30 June 2006 in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 4 to these consolidated interim financial statements. In the absence of International Financial Reporting Standards or Interpretations containing specific guidance on transaction under common control management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition. A significant excess of the Group's interest in the net fair value of acquiree's net assets over cost in the amount of USD 46 757 thousand which was recognised in the consolidated interim statement of income for six months ended 30 June 2006 related to subsidiaries that were under common control of ultimate shareholders of the Group until the date of their acquisition (Note 25).

Without qualifying our opinion we draw attention to Note 6, Note 7, Note 8 and Note 22 to these consolidated interim financial statements. As at 30 June 2006 the Group has significant balances of investment property in the amount of USD 127 863 thousand (Note 6), land plots under development and construction in progress in the amount of USD 105 020 thousand (Note 7) and capital advances under construction contracts in the amount of USD 16 735 thousand (Note 8) that in the whole represent 85.5% of total assets of the Group. As described in Note 22 the concentration of Group's operations on real estate development affects the liquidity position of the Group.

Without qualifying our opinion we draw attention to Note 24 to these consolidated interim financial statements. As at 30 June 2006 the Group's assets in the amount of USD 138 857 thousand (47.6% of total assets) were pledged as collateral for the borrowings received. Shares of several companies of the Group were also pledged as a collateral against the borrowed funds.

Elena I. Kopanyova
FCCA
Deputy General Director

30 September 2006

(in thousands of US Dollars)

	Note	30 June 2006	31 December 2005
Assets			
Non-current assets			
Investment property	6	127 863	-
Land plots under development and construction in progress	7	105 020	-
Capital advances under construction contracts	8	16 735	-
VAT recoverable		10 032	-
Goodwill	25	2 106	-
Deferred income tax assets	19	251	-
Fixed assets		61	-
		262 068	**-**
Current assets			
Loans to customers	9	19 775	-
Accounts receivable	10	6 035	-
Cash and cash equivalents	11	963	-
Other assets	12	106	1
		26 879	**1**
Total assets		**288 947**	**1**
Equity and liabilities			
Equity			
Charter capital	13	4	-
Revaluation reserve for land plots under development		6 545	-
Retained earnings		82 697	-
Effect of exchange rate changes		784	-
Equity attributable to the participants of the parent company		**90 030**	**-**
Minority interest	14	2 406	-
Total equity		**92 436**	**-**
Non-current liabilities			
Borrowings	15	88 576	-
Deferred income tax liabilities	19	30 824	-
Finance leases of land plots		761	-
		120 161	**-**
Current liabilities			
Borrowings	15	55 891	1
Accounts payable	16	20 372	-
Finance leases of land plots		87	-
		76 350	**1**
Total liabilities		**196 511**	**1**
Total equity and liabilities		**288 947**	**1**

Sirina K. Karimova
General Director

Alexei S. Seleznev
Chief Financial Officer

30 September 2006

The notes set out on pages 9 to 45 are an integral part of these consolidated interim financial statements

(in thousands of US Dollars)

	Note	Six months ended 30 June 2006	Six months ended 30 June 2005
Rental income from investment property	17	5 139	-
Repair and maintenance costs		(2 105)	-
Other expenses related to premises and equipment		(467)	-
Other direct property operating expenses		(536)	-
Land rent costs		(358)	-
Staff costs		(410)	-
Net gain from fair value adjustments on investment property	6	54 854	-
Tax expenses (other than income tax)		(296)	-
Operating profit		**55 821**	
Interest income		411	-
Interest expense	18	(1 872)	-
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	25	46 757	-
Foreign exchange gain		1 183	-
Gains less losses arising from financial assets held to maturity		138	-
Provisions for impairment of loans to customers, accounts receivable and other assets	20	(3 906)	-
Losses on origination of loans to customers at rates below market	9	(127)	-
Other income		1 187	-
Other expenses		(572)	-
Profit /(loss) before income tax expense		**99 020**	**-**
Income tax expense	19	(14 050)	-
Net profit/(loss)		**84 970**	**-**
Attributable to:			
Participants of the parent company		**82 697**	**-**
Minority interest	14	**2 273**	**-**

Sirina K. Karimova
General Director

Alexei S. Seleznev
Chief Financial Officer

30 September 2006

(in thousands of US Dollars)

	Note	Six months ended 30 June 2006	Six months ended 30 June 2005
Cash flows from operating activities			
Rental income from investment property		5 120	-
Repair and maintenance costs		(2 105)	-
Other expenses related to premises and equipment		(535)	-
Other direct property operating expenses		(467)	-
Land rent costs		(358)	-
Staff costs		(361)	-
Gains less losses arising from financial assets held to maturity		782	-
Interest income		50	-
Interest expenses		(792)	-
Other income		978	-
Other expenses		(516)	-
Taxes paid (other than income tax)		(296)	-
Income tax paid		(132)	
Cash flows from operating activities before changes in operating assets and liabilities		**1 368**	**-**
Changes in operating assets and liabilities			
Net increase in VAT recoverable		(6 900)	
Net decrease in accounts receivable		7 619	-
Net decrease in other assets		331	-
Net decrease in accounts payable		(6 320)	-
Net cash flows from operating activities		**(3 902)**	**-**
Cash flows from investing activities			
Purchases of land plots under development and constructions in progress		(25 892)	-
Net increase in receivables under construction contracts		(4 813)	-
Purchases of investment properties		(3 087)	-
Net increase in loans to customers		(11 172)	-
Purchases of fixed assets		(20)	-
Increase in cash and cash equivalents arising on acquisition of subsidiaries	25	3 748	-
Net cash used in investing activities		**(41 236)**	**-**
Cash flows from financing activities			
Net increase in borrowings		46 118	-
Increase of charter capital		3	-
Net cash flows from financing activities		**46 121**	**-**
Effect of exchange rate changes on cash and cash equivalents		(20)	-
Net change in cash and cash equivalents		**963**	**-**
Cash and cash equivalents as at the beginning of the period	11	-	-
Cash and cash equivalents as at the end of the period	**11**	**963**	**-**

Sirina K. Karimova
General Director

Alexei S. Seleznev
Chief Financial Officer

30 September 2006

(in thousands of US Dollars)

	Equity attributable to the participants of the parent company					
	Charter capital	**Revaluation reserve for land plots under development**	**Retained earnings**	**Effect of exchange rate changes**	**Minority interest**	**Total equity**
Balance as at 1 January 2006	**-**	**-**	**-**	**-**	**-**	**-**
Increase of charter capital (Note 13)	4	-	-	-	-	4
Revaluation of land plots under development (Note 7)	-	8 612	-	-	-	8 612
Deferred taxation on revaluation of land plots under development (Note 19)	-	(2 067)	-	-	-	(2 067)
Net profit for the six months ended 30 June 2006	-	-	82 697	-	2 273	84 970
Minority interest arising from acquisition of subsidiaries	-	-	-	-	89	89
Effect of exchange rate changes	-	-	-	784	44	828
Balance as at 30 June 2006	**4**	**6 545**	**82 697**	**784**	**2 406**	**92 436**

Sirina K. Karimova
General Director

Alexei S. Seleznev
Chief Financial Officer

30 September 2006

(in thousands of US Dollars)

1. Principal Activities of the Group

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

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

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

The principal activities and locations of the subsidiaries of the Group as of 30 June 2006 are as follows:

Operating entity	Project	Principal activity	Ownership and/or control, %	Country of registration	Assets location	Date of incorpo-ration
CJSC RTM Development	-	Development holding company	100%	Russia	Moscow	26.01.2006
CJSC Kaskad	Trading centre (TC) Crystal, TC Bumerang, TC Grand, TC Triumf	Investing in and managing of the project assets	100%	Russia	Kursk	18.08.2005
CJSC FPK Orbita	TC Park House 1	Investing in and managing of the project assets	100%	Russia	Samara	13.08.2002
MP Trading LLC	TC Zavoiskogo, TC K.Glushko, TC Mira, TC Sib. Trakt	Investing in and managing of the project assets	100%	Russia	Kazan	30.05.2002
Kaskad LLC	TC S.Galieva	Investing in and managing of the project assets	100%	Russia	Kazan	15.03.2004
CJSC Mercury	TC Park House 2	Investing in and development of the project assets	100%	Russia	Samara	29.05.2003
TC Svobodniy LLC	TC Svobodniy	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	17.08.2000
Panteks LLC	TC Kolo-menskaya, TC R.Vokzal, TC Malygina	Investing in and managing of the project assets	51%	Russia	Moscow	02.12.1999
Elko Systems LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Kazan	11.06.2002
Mobil Systems LLC	TC Intercity	Investing in and managing of the project assets	100%	Russia	Tula	14.01.2004
Markon LLC	Plot of land Kushelevka	Investing in and development of the project assets	100%	Russia	St.Petersburg	20.06.2002

(in thousands of US Dollars)

Operating entity	Project	Principal activity	Ownership and/or control, %	Country of registration	Assets location	Date of incorpo-ration
DT 1 Era 2 LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Voronezh	08.06.2000
RTM – Lipetsk LLC	Plot of land Tereshkovoy	Investing in and development of the project assets	90%	Russia	Lipetsk	25.11.2005
TorgPromAktiv LLC	Plot of land CeramCekh	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	02.06.2004
Technosoft LLC	-	Company set up for construction of shopping centre in Togliatti	100%	Russia	Togliatti	13.10.2005
Elegans LLC	-	Company set up for construction of shopping centre in Stavropol	100%	Russia	Stavropol	13.09.2005
Rekom LLC	-	Investing in TC Dunayskaya perspektiva construction	100%	Russia	Moscow	06.09.2005
Romeks – Invest LLC	Plot of land Dunayskaya Perspektiva	Co-investing in real estate projects	100%	Russia	St.Petersburg	07.06.2002
RTM – Odintsovo LLC	Plot of land Lokhino	Investing in and development of the project assets	99%	Russia	Odintsovo	25.11.2005
FinTrade LLC	Ul'yanka	Co-investing in real estate projects	100%	Russia	St.Petersburg	22.02.2006
Expo Tekh LLC	Business Centre	Investing in and development of the project assets	100%	Russia	Moscow	18.01.2005
RTM – Samara LLC	Plot of land Samara-Fizkulturnaya	Investing in and development of the project assets	100%	Russia	Samara	11.11.2005
RTM – Voronezh Severniy LLC	-	Company set up for construction of shopping centre in Voronezh	100%	Russia	Voronezh	26.04.2006
CJSC RTM – Perspectiva	-	Company set up for construction of shopping centre in Bryansk	100%	Russia	Moscow	28.06.2006
RTM - Supermarkety LLC	-	Managing of the project assets	100%	Russia	Moscow	02.04.2003

(in thousands of US Dollars)

As of 30 June 2006 and 31 December 2005 the Company's participants were as follows:

Shareholder	**Country of registration**	**30 June 2006**	**31 December 2005**
Marta Dom LLC	Russia	99.9%	-
Mrs. Nikulnikova O.Yu.	Russia	0.1%	100.0%
Total		**100.0%**	**100.0%**

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

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

Set out below are the chronological steps of the restructuring accomplished by date of issue of these consolidated interim financial statements for the six months ended 30 June 2006.

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

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

Venturers	**As at 31 December 2005**
Mr. Trefilov	50%
Mr. Vyrypaev	50%

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

During the six months ended 30 June 2006 the Company acquired twenty five subsidiaries (Note 25).

On 23 June 2006 the decision was made to increase charter capital of the Company by USD 4 thousand and to change the name of the Company from Vremya LLC to RTM LLC. Those changes were registered on 4 July 2006 (Note 26).

On 5 July 2006 the Company's members approved the transformation of the Company into an open joint-stock company. On 14 August 2006 the change of legal status was registered (Note 26).

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

The average number of the Group's employees in the six months from 1 January to 30 June 2006 was 258 (31 December 2005: 1).

2. Operating Environment of the Group

General

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

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

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

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

(in thousands of US Dollars)

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

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

Inflation

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

Year ended:	**Inflation for the period**
31 December 2005	10.9%
31 December 2004	11.7%
31 December 2003	12.0%
31 December 2002	15.1%
31 December 2001	18.8%

The inflation rate for the six months ended 30 June 2006 was 6.2%.

Currency transactions and currency control

Foreign currencies, in particular the US Dollar, play a significant role in the underlying economics of many business transactions in the Russian Federation.

The table below shows exchange rates of RUR to USD and EUR at the following dates:

Year ended:	**USD**	**EUR**
30 June 2006	27.0789	33.9759
31 December 2005	28.7825	34.1850
31 December 2004	27.7487	37.8104
31 December 2003	29.4545	36.8240
31 December 2002	31.7844	33.1098
31 December 2001	30.1400	26.4900

Financial market transactions

Economic conditions in Russia continue to limit the volume of activity in the financial markets. Market quotations may not correctly reflect the values of financial instruments, which would be determined in an efficient, active market involving willing buyers and willing sellers.

3. Basis of Presentation

These consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard (IAS) 34 "Interim Financial Reporting". Since the results of the Group operations closely relate to and depend on changing market conditions, operating results for the six-month period ended 30 June 2006 are not necessarily indicative of the results that may be expected for the year ended 31 December 2006.

These consolidated interim financial statements are prepared in accordance with IFRS, including all previously adopted standards and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

All entities of the Group maintain their accounting records in Russian Roubles (RUR) in accordance with the accounting and reporting regulations of the Russian Federation.

Russian statutory accounting principals and procedures differ from those generally accepted under IFRS. Accordingly, the consolidated interim financial statements, which have been prepared from the Russian statutory accounting records for the entities of the Group, 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 the appropriate financial statement caption.

The Group's functional currency is the currency of the primary economic environment in which the Group companies operate. The functional currency of the Group companies is the national currency of the Russian Federation, i.e. the

Russian Rouble. The Group chose US Dollar (USD) as the presentation currency of these consolidated interim financial statements.

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

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

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

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

Adoption of new and revised standards effective after the reporting date

In 2006 the following interpretations and amendments applicable to the Group became effective:

- IFRIC 4 "Determining whether an Arrangement Contains a Lease (effective 1 January 2006);
- IFRIC 8 "Scope of IFRS 2" (effective 1 May 2006);
- IFRIC 9 "Reassessment of Embedded Derivatives (effective 1 June 2006);
- Amendment to IAS 39 regarding the financial guarantee contracts (effective 1 January 2006);
- Amendment to IAS 39 regarding the fair value option (effective 1 January 2006).

The effect of these changes on the consolidated interim financial statements of the Group is not significant.

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

- IFRS 7 "Financial Instruments: Disclosures";
- Amendments to IAS 1 regarding disclosures of the Group' objectives, policies and processes for managing capital;
- IFRIC 8 "Scope of IFRS 2";
- IFRIC 9 "Reassessment of Embedded Derivatives";
- IFRIC 10 "Interim Financial Reporting and Impairment";
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions";
- IFRIC 12 "Service Concession Arrangements".

The Group expects the adoption of the pronouncements listed above will have no significant impact on the Group's consolidated interim financial statements in the period of initial application, except for the inclusion of new disclosures in accordance with IFRS 7 to enable users of the consolidated interim financial statements to evaluate the significance of the Group's consolidated interim financial instruments, the nature and extent of risks arising from those consolidated interim financial instruments, and the Group's objectives, policies and processes for managing capital.

First time adoption of IFRS

These consolidated interim financial statements of the Group for the six months ended 30 June 2006 are prepared in accordance with IFRS for the first time.

(in thousands of US Dollars)

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

	Charter capital as at 30 June 2006	Revaluation reserve for land plots under development	Retained earnings	Net profit / (loss) for the six months ended 30 June 2006	Minority interest	Total equity as at 30 June 2006
Data of consolidated interim financial statements (Russian Accounting Standards)	**4**	**-**	**-**	**(1)**	**-**	**3**
Revaluation reserve for land plots under development	-	8 612	-	-	-	8 612
Deferred taxation on revaluation of land plots under development	-	(2 067)	-	-	-	(2 067)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	-	-	-	46 757	-	46 757
Net gain from fair value adjustments on investment property	-	-	-	54 854	-	54 854
Provisions for impairment of financial assets held to maturity, loans to customers and accounts receivable	-	-	-	(3 906)	-	(3 906)
Deferred taxation	-	-	-	(13 720)	-	(13 720)
Minority interests	-	-	-	2 273	89	2 362
Other	-	-	-	(1 288)	-	(1 288)
Effect of exchange rate changes	-	-	-	785	44	829
Data of consolidated interim financial statements (IFRS)	**4**	**6 545**	**-**	**85 754**	**133**	**92 436**

4. Summary of Accounting Policies

Consolidation

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are removed from consolidation from the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

The results of subsidiaries acquired or disposed of during the six months ended 30 June 2006 are included in the consolidated interim statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Accounting for acquisition of companies under common control

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

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

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

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

(b) reliable, in that the financial statements:

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

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

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

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

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

Goodwill

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

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

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

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

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

Investment property

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

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

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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

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

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

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

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

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

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

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

Land plots under development and construction in progress

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

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

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

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

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

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

Capital advances under constructions in progress

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

Borrowing costs

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

Fixed assets

Premises and equipment for the Group's use are stated at acquisition cost restated by applying the relevant inflation conversion factors, less accumulated depreciation and impairment provision, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognised in the consolidated interim statement of income. The estimated recoverable amount is determined as higher of an asset's net realisable value and its value in use.

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

Software development

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

Depreciation

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

- Land – Nil;
- Buildings – from 40 to 50 years;
- Computers and office equipment – from 3 to 5 years;
- Fixtures and fittings – from 5 to 7 years;
- Vehicles – from 5 to 10 years;
- Software - from 3 to 10 years;
- Leasehold improvements – over the lease term.

Leased assets

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

Financial assets

The Group classifies its financial assets in the following categories:

- financial assets held to maturity;
- loans to customers.

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

Financial assets held to maturity

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

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

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

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

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

Loans to customers

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

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder can not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

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

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

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

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

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

The Group does not acquire loans from third parties.

Impairment of assets

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

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

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

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

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

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

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

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

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

Inventories

Properties that are being developed for future sale are reclassified as inventories at their deemed cost, which is the carrying amount at the date of reclassification. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses. Inventories are included as other assets in the consolidated interim balance sheet.

Cash and cash equivalents

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

Borrowings

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

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

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

Charter capital

Charter capital is recognized at cost. Charter capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

Retirement and other benefit obligations

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

Contingencies

Contingent liabilities are not recognized in the consolidated interim 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 interim financial statements but disclosed when an inflow of economic benefits is probable.

Income tax

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

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

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

Income and expense recognition

Revenue includes rental income and service charges from properties.

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

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

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

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

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

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

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

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

(in thousands of US Dollars)

Foreign currency transactions

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

Offsetting

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

Provisions

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

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

Staff costs and related contributions

The Group contributes to the Russian Federation State Pension, Social Insurance and Obligatory Medical Insurance Funds in respect of its employees. These contributions are expensed as incurred and included in staff costs.

Segment reporting

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

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

5. Significant Accounting Judgements and Estimates

Judgements

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

Consolidation of subsidiaries where ownership is 50% or less

The Group acquired control over the number of subsidiaries during the reporting period (Note 25). In certain cases the power to realise the control over the companies is based on the agreements signed between the Group and the participants of the company being acquired. In most cases the date when the control over subsidiary begins precedes the date when the equity participation acquired.

Subsidiary acquired	**Date of acquisition of control**	**Date of the equity participation acquisition**
CJSC RTM Development	01.02.2006	22.09.2006
CJSC RTM – Perspectiva	29.06.2006	22.09.2006
RTM – Voronezh Severniy LLC	01.05.2006	27.06.2006
RTM – Odintsovo LLC	31.05.2006	Estimated date - 31.12.2006
RTM – Samara LLC	11.01.2006	27.06.2006
RTM – Lipetsk LLC	11.01.2006	31.08.2006
Mobil Systems LLC	11.01.2006	22.09.2006
Markon LLC	11.01.2006	22.09.2006
TC Svobodniy LLC	30.04.2006	22.09.2006
CJSC Mercury	11.01.2006	Estimated date - 31.12.2008

(in thousands of US Dollars)

Subsidiary acquired	Date of acquisition of control	Date of the equity participation acquisition
TorgPromAktiv LLC	20.01.2006	22.09.2006
CJSC FPK Orbita	30.04.2006	22.09.2006
Romeks – Invest LLC	26.05.2006	22.09.2006
Rekom LLC	26.05.2006	30.06.2006
DT 1 Era 2 LLC	11.01.2006	30.06.2006
Elko Systems LLC	31.01.2006	22.09.2006
Kaskad LLC	11.01.2006	30.06.2006
Expo Tekh LLC	20.01.2006	30.06.2006
Elegans LLC	11.01.2006	30.06.2006
FinTrade LLC	20.05.2006	20.05.2006
Technosoft LLC	11.01.2006	30.06.2006
Panteks LLC	11.01.2006	22.09.2006
MP Trading LLC	31.05.2006	31.05.2006
CJSC Kaskad	11.01.2006	22.09.2006
RTM Supermarkety LLC	20.01.2006	29.06.2006

Use of estimates and assumptions

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

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

Fair value of investment property and land plots under development

Investment property and land plots under development are stated at the fair value. The fair value is estimated by external, independent valuation company, having the appropriate recognised professional qualification. The valuation is subject to assumptions and limiting conditions. Changes in the assumptions might entail the change of the fair value of investment property and land plots under development. The date of the latest appraisal was 30 June 2006. The fair value of investment property and land plots under development are shown in the table below.

	30 June 2006
Investment property	127 863
Land plots under development	33 695

Taxation

Russian tax and currency legislation is subject to varying interpretations and changes, which can occur frequently (see Note 24). Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 30 June 2006 the Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax and currency positions will be sustained.

Going concern

As at 31 June 2006 the Group has significant balances of investment property in the amount of USD 127 863 thousand (Note 6), land plots under development and construction in progress in the amount of USD 105 020 thousand (Note 7) and capital advances under construction contracts in the amount of USD 16 735 thousand (Note 8) that in the whole represent 85.5% of total assets of the Group. The diversification and considerable quantity of the Group's clients form a long-term and stable source of finance for the Group. The Group's management is confident that they can manage the liquidity risk.

These consolidated interim financial statements are prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations. The Group's management assessed the appropriateness of the going concern assumption by taking into account all available information about future, which is at least, but not limited to, twelve months from the balance sheet date.

(in thousands of US Dollars)

Allowance for impairment of loans and receivables

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2006 was USD 2 106 thousand (2005: 0). More details are provided in Note 25.

6. Investment Property

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

	Completed property	Redevelopment projects	Total
Balance as at 31 December 2005	**-**	**-**	**-**
Carrying value of investment property of acquired subsidiaries	65 068	4 552	69 620
Additions	2 940	208	3 148
Net gain from fair value adjustments on investment property	43 662	11 192	54 854
Effect of exchange rate changes	192	49	241
Balance as at 30 June 2006	**111 862**	**16 001**	**127 863**

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

Redevelopment projects represent the trading centre Park House 1 located in Samara that is being under reconstruction as at 30 June 2006.

At the dates of the subsidiaries' acquisition the fair value of investment properties was not available for all investment properties acquired (Note 25).

As at 30 June 2006 the trading centers with a fair value of USD 55 122 thousand were pledged as collateral under the loans received from OJSC Impexbank and CB Uniastrum Bank LLC in the total amount of USD 26 775 thousand (2005: USD 0 thousand) (Note 15).

Direct operating expenses arising from investment property that generate rental income for the six months ended 30 June 2006 amounted to USD 296 thousand (2005: USD 0 thousand). Other operating expenses arising from investment property that do not generate rental income totaled USD 65 thousand for the six months ended 30 June 2006 (2005: USD 0 thousand).

(in thousands of US Dollars)

7. Land Plots under Development and Construction in Progress

	Land plots under development	Construction in progress	Total
Balance as at 31 December 2005	**-**	**-**	**-**
Carrying value of land plots under development and construction in progress of acquired subsidiaries	25 084	43 391	68 475
Additions	-	25 203	25 203
Interest expense capitalised	-	2 736	2 736
Revaluation	8 612	-	8 612
Disposals	-	(6)	(6)
Balance as at 30 June 2006	**33 696**	**71 324**	**105 020**

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

Construction in progress mainly includes construction of trading centre Park House 2, located in Samara and business centre located in Moscow.

Construction in progress is recognised at cost.

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

As at 30 June 2006 land plots under development and constructions in progress with a fair value of USD 79 722 thousand were pledged as collateral under the loans received from OJSC Impexbank, CB Uniastrum Bank LLC, OJSC JB Russia and OJSC Sberbank in the total amount of USD 53 480 thousand (2005: USD 0 thousand) (Note 15).

8. Capital Advances under Construction Contracts

Description of the project	Asset location	30 June 2006	31 December 2005
Trading centre Park House 2	Samara	5 128	-
Trading centre Gallery Odintsovo	Odintsovo	4 977	-
Trading centre Ul'yanka	St. Petersburg	2 813	-
Water-entertaining centre Akvapark	Stavropol	2 146	-
Trade-entertaining centre	Lipetsk	1 200	-
Trade-entertaining centre	Samara	268	-
Trade-entertaining centre Park House 1	Samara	203	-
Total capital advances under construction contracts		**16 735**	**-**

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

As of 30 June 2006 capital advances under construction contracts with a fair value of USD 4 013 thousand were pledged as collateral under the loans received from OJSC Impexbank, CB Uniastrum Bank LLC in the total amount of USD 6 281 thousand (2005: USD 0 thousand) (Note 15).

Geographical, currency and maturity analysis of capital advances under construction contracts is presented in Note 22.

9. Loans to Customers

	30 June 2006	31 December 2005
Loans to legal entities	20 026	-
Less: provision for impairment of loans to customers	(251)	-
Total loans to customers	**19 775**	**-**

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

As at 30 June 2006 the Group loans to legal entities amounted to USD 6 201 thousand at interest rates below market (5% p.a.), which are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. Losses on loans originated at rates below market is recognized in the consolidated interim statement of income for the six months ended 30 June 2006 in the amount of USD 127 thousand.

(in thousands of US Dollars)

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

	Note	30 June 2006	31 December 2005
Provision for impairment of loans to customers as at the beginning of the reporting period		**-**	**-**
Change in provision for impairment of loans to customers during the reporting period	20	2 734	-
Loans to customers written off during the reporting period as uncollectible		(2 480)	-
Effect of exchange rate changes		(3)	-
Provision for impairment of loans to customers as at the end of the reporting period		**251**	**-**

The provision for impairment of loans to customers represents the provision created in respect to overdue loan principal and interest. The provision rate is estimated at 5% for principal loan amount in arrears. The provision rate for interest outstanding is estimated at 100% of total interest in arrears.

Loans to customers written off during the six months ended 30 June 2006 include bills of exchange issued by Inron LLC totalling USD 1 103 thousand, bills of exchange issued by Unis Group LLC totalling USD 314 thousand, bills of exchange issued by Novotorg LLC totalling USD 473 thousand, bills of exchange issued by Vedanta LLC totalling USD 314 thousand, bills of exchange issued by Art Technology LLC totalling USD 258 thousand, bills of exchange issued by Adelmira LLC totalling USD 18 thousand.

Geographical, currency and maturity analysis of loans to customers is presented in Note 22. The information about transactions with related parties is presented in Note 21.

10. Accounts Receivable

	30 June 2006	31 December 2005
Rental receivables	1 532	-
Prepayments	1 386	-
Trade receivables	1 122	-
Other receivables	2 322	-
Less: provision for impairment of accounts receivable	(327)	-
Total accounts receivable	**6 035**	**-**

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

	Note	30 June 2006	31 December 2005
Provision for impairment of accounts receivable as at the beginning of the reporting period		**-**	**-**
Change in provision for impairment of accounts receivable during the reporting period	20	327	-
Provision for impairment of accounts receivable as at the end of the reporting period		**327**	**-**

Geographical, currency and maturity analysis of accounts receivable is presented in Note 22. The information about transactions with related parties is presented in Note 21.

11. Cash and Cash Equivalents

	30 June 2006	31 December 2005
Cash on hand	6	-
Bank account balances	957	-
Total cash and cash equivalents	**963**	**-**

(in thousands of US Dollars)

12. Other Assets

	30 June 2006	31 December 2005
Financial assets held to maturity	865	-
Inventories	7	-
Other current assets	95	-
Less: provision for impairment of other assets	(861)	-
Total other assets	**106**	**-**

As at 30 June 2006 financial assets held to maturity mainly include a bill of exchange issued by Diakom LLC (USD 529 thousand) and a bill of exchange issued by Vintens LLC (USD 332 thousand). The 100% provision for impairment of financial assets held to maturity was created in respect to these bills of exchange.

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

	Note	30 June 2006	31 December 2005
Provision for impairment of other assets as at the beginning of the reporting period		**-**	**-**
Change in provision for impairment of other assets during the reporting period	20	845	-
Effect of exchange rate changes		16	
Provision for impairment of other assets as at the end of the reporting period		**861**	**-**

Geographical, currency and maturity analysis of other assets is presented in Note 22.

13. Charter Capital

As at 30 June 2006, authorised, issued and fully paid charter capital of the Group's participants amounted to USD 4 thousand (31 December 2005: USD 0 thousand).

On 23 June 2006 the decision was made to increase charter capital of the Company up to USD 4 thousand. This change was registered on 4 July 2006 (Note 26).

14. Minority Interest

	30 June 2006	31 December 2005
Minority interest as at the beginning of the reporting period	**-**	**-**
Share in net profit	2 273	-
Acquisition of subsidiaries	89	-
Effect of exchange rate changes	44	
Minority interest as at the end of the reporting period	**2 406**	**-**

(in thousands of US Dollars)

15. Borrowings

	30 June 2006	31 December 2005
Borrowings from banks		
Long-term borrowings from banks	69 917	-
Short-term borrowings from banks	18 276	-
Total borrowings from banks	**88 193**	**-**
Borrowings from commercial organisations and individuals		
Long-term borrowings from commercial organisations and individuals	18 659	-
Short-term borrowings from commercial organisations and individuals	37 615	-
Total borrowings from commercial organisations and individuals	**56 274**	**-**
Total borrowings including	**144 467**	**-**
Long-term borrowings	88 576	-
Short-term borrowings	55 891	-

Interest rates on rouble borrowings from banks ranged from 12% to 18% per annum. Interest rates on borrowings from banks in USD were between 11% and 17% per annum.

Interest rates on rouble borrowings from commercial organisations and individuals ranged from 0% to 14% per annum and on USD-denominated borrowings from commercial organisations and individuals were between 12% and 15% per annum. As at 30 June 2006 the Group received borrowings from commercial organisations and individuals in the amount of USD 29 040 thousand at interest rates below market.

As at 30 June 2006 the investment properties with a fair value of USD 55 122 thousand were pledged as collateral under the loans received from JSC Impexbank and CB Uniastrum Bank LLC in the total amount of USD 26 775 thousand (2005: USD 0 thousand) (Note 6).

As at 30 June 2006 the land plots under development with a fair value of USD 79 722 thousand were pledged as collateral under the loans received from JSC Impexbank, CB Uniastrum Bank LLC, OJSC JSB Rossiya and OJSC Sberbank in the total amount of USD 53 480 thousand (2005: USD 0 thousand) (Note 7).

As at 30 June 2006 capital advances under construction contracts with a fair value of USD 4 013 thousand were pledged as of collateral under the loans received from OJSC Impexbank, CB Uniastrum Bank LLC in the total amount of USD 6 281 thousand (2005: USD 0 thousand) (Note 8).

As at 30 June 2006 the 100% stakes in TC Svobodniy LLC, RTM – Lipetsk LLC, RTM – Odintsovo LLC, RTM – Samara LLC were pledged as collateral under the loans received from JSC Impexbank, CB Uniastrum Bank LLC, OJSC JSB Rossiya and OJSC Sberbank (2005: USD 0 thousand) (Note 24).

Geographical, currency and maturity analysis of borrowings is presented in Note 22. The information about transactions with related parties is presented in Note 21.

(in thousands of US Dollars)

16. Accounts Payable

	30 June 2006	31 December 2005
Payables for acquired subsidiaries	7 812	-
Payables to contractors	5 200	-
Payables to co-investors	3 171	-
Guarantee payments received from lessees	1 387	-
Rent payable	806	-
Income Tax	297	-
Accounts payable	289	-
Taxes payable (other than Income Tax)	217	-
Advances received	151	-
Trade payables including maintenance of shopping centres	133	-
Debt on construction investment contracts	101	-
Wages and salaries payable	84	-
Other liabilities	724	-
Total accounts payable	**20 372**	**-**

The Group acquired the control over the number of subsidiaries during the reporting period (Note 25). The date when the control began usually differs from the date when the equity participation acquired and settlement with supplier made. Payables for acquired subsidiaries represent current payable due to different suppliers in respect to acquired subsidiaries.

Geographical, currency and maturity analysis of accounts payable is presented in Note 22. The information about transactions with related parties is presented in Note 21.

17. Rental Income from Investment Property

	Six months ended 30 June 2006	Six months ended 30 June 2005
Rental income	5 003	-
Service and management charges	136	-
Total rental income from investment property	**5 139**	**-**

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

18. Interest Expense

Interest expense for the six months ended 30 June 2006 and 2005 includes the following:

	Six months ended 30 June 2006	Six months ended 30 June 2005
Interest expenses on loans from banks	1 020	-
Interest expenses on loans from commercial organizations and individuals	852	-
Total interest expense	**1 872**	**-**

19. Income Tax

Income tax expense comprises the following:

	Six months ended 30 June 2006	Six months ended 30 June 2005
Current tax expense	330	-
Deferred taxation movement	13 720	-
Income tax expense for the reporting period	**14 050**	**-**

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

(in thousands of US Dollars)

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

	Six months ended 30 June 2006	Six months ended 30 June 2005
IFRS profit / (loss) before taxation	**99 020**	**-**
Theoretical tax charge at the rate of 24%	23 765	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
— Non-taxable income	781	-
— Non-deductible expenses	(557)	-
Income from write-off of excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	(11 222)	-
Other differences	1 283	
Income tax expense for the period	**14 050**	**-**

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

	As at 30 June 2006	Movement	Acquisitions of subsidiaries	As at 31 December 2005
Tax effect of deductible temporary differences				
Accounts receivable	865	680	185	-
Loans to customers	758	691	67	-
Borrowings	662	10	652	-
Provisions for impairment of loans to customers, accounts receivable and other assets	345	345	-	
Accounts payable	318	318	-	-
Fixed assets	59	59	-	-
Investment property	36	39	(3)	-
Net gain from fair value adjustments on investment property	26	(14)	40	
Construction in progress	5	(42)	47	-
Other assets	36	34	2	-
Gross deferred tax assets	**3 110**	**2 120**	**990**	**-**
Tax effect of taxable temporary differences				
Land plots under development	(5 363)	(2 067)	(3 296)	-
Net gain from fair value adjustments on investment property	(22 805)	(13 260)	(9 545)	
Investment property	(1 966)	(1 432)	(534)	-
Constructions in progress	(1 738)	(459)	(1 279)	-
Accounts payable	(802)	(57)	(745)	-
Depreciation of fixed assets	(492)	(135)	(357)	-
Borrowings	(330)	(316)	(14)	-
Fixed assets	(164)	(158)	(6)	
Accounts receivable	(23)	(23)	-	-
Gross deferred tax liabilities	**(33 683)**	**(17 907)**	**(15 776)**	**-**
Net deferred tax assets of the Group's companies which could not be offset against net deferred tax liabilities of other companies of the Group	(251)	(146)	(105)	-
Net deferred tax liabilities	**(30 824)**	**(15 933)**	**(14 891)**	**-**

In the first half of the year 2006 deferred tax liability in the amount of USD 2 067 thousand arising from temporary differences on land plots under development is recorded within revaluation reserve for land plots under development.

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

(in thousands of US Dollars)

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

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

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

	Six months ended 30 June 2006	Six months ended 30 June 2005
Provision for impairment of loans to customers, accounts receivable and other assets as at the beginning of the reporting period	**-**	**-**
Change in provision for impairment of loans to customers (Note 9)	2 734	-
Change in provision for impairment of accounts receivable (Note 10)	327	-
Change in provision for impairment of other assets (Note 12)	845	-
Provision for impairment of loans to customers, accounts receivable and other assets as at the end of the reporting period	**3 906**	**-**

21. Related Party Transactions

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

The outstanding balances as at 30 June 2006 and income and expense items for the six months then ended 30 June 2006 on transactions with related parties are as follows:

	30 June 2006	31 December 2005
Accounts receivable	4 973	-
Loans to customers	4 728	-
Borrowings	22 537	-
Accounts payable	4 283	-
Rental income from investment property	431	-
Land rent costs	82	-
Interest income	86	-
Interest expense	420	-

The compensation paid to the key management personnel totalled USD 54 thousand for the six months ended 30 June 2006 (2005: USD 0 thousand).

22. Financial Risk Management

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

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

Credit risk

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

Market risk

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

(in thousands of US Dollars)

Interest rate risk

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

All the Group's debt instruments outstanding as of 30 June 2006 are fixed rate. The Group plans to borrow mainly at fixed rates in the future. For any future borrowing at variable interest rate the Group will consider the possibility of hedging its interest risk.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 30 June 2006 the Group had balances denominated in Russian Roubles, USD and EUR. The Group does not hedge its currency risk.

As at 30 June 2006, the Group has the following positions in currencies:

	Russian Roubles	USD	EUR	Total
Assets				
Non-current assets				
Investment property	127 863	-	-	127 863
Land plots under development and constructions in progress	105 020	-	-	105 020
Capital advances under construction contracts	12 611	4 124	-	16 735
VAT recoverable	10 032	-	-	10 032
Goodwill	2 106	-	-	2 106
Deferred income tax assets	251	-	-	251
Fixed assets	61	-	-	61
Current assets				
Loans to customers	18 524	1 251	-	19 775
Accounts receivable	5 339	670	26	6 035
Cash and cash equivalents	963	-	-	963
Other assets	106	-	-	106
Total assets	**282 876**	**6 045**	**26**	**288 947**
Liabilities				
Non-current liabilities				
Borrowings	51 836	36 740	-	88 576
Deferred income tax liabilities	30 824	-	-	30 824
Finance leases of lands plots	761	-	-	761
Current liabilities				
Borrowings	41 164	14 727	-	55 891
Accounts payable	18 463	1 909	-	20 372
Finance leases of lands plots	87	-	-	87
Total liabilities	**143 135**	**53 376**	**-**	**196 511**
Net balance sheet position	**139 741**	**(47 331)**	**26**	**92 436**

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

Geographical risk

As at 30 June 2006 and 31 December 2005 all Group's assets and liabilities were located in the Russian Federation.

Liquidity risk

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

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

(in thousands of US Dollars)

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

The table below shows the assets and liabilities as at 30 June 2006 by their remaining contractual maturity:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No stated maturity	Total
Assets							
Non-current assets							
Investment property	-	-	-	-	-	127 863	127 836
Land plots under development and constructions in progress	-	-	-	-	-	105 020	105 020
Capital advances under construction contracts	-	-	-	16 735	-	-	16 735
VAT recoverable	-	-	-	-	-	10 032	10 032
Goodwill	-	-	-	-	-	2 106	2 106
Deferred income tax assets	-	-	-	-	-	251	251
Fixed assets	-	-	-	-	-	61	61
Current assets							
Loans to customers	2 391	996	9 584	6 804	-	-	19 775
Accounts receivable	1 655	4 309	71	-	-	-	6 035
Cash and cash equivalents	963	-	-	-	-	-	963
Other assets	106	-	-	-	-	-	106
Total assets	**5 115**	**5 305**	**9 655**	**23 539**	**-**	**245 333**	**288 947**
Liabilities							
Non-current liabilities							
Borrowings	-	-	-	85 403	3 173	-	88 576
Deferred income tax liabilities	-	-	-	-	-	30 824	30 824
Finance leases of lands plots	-	-	-	761	-	-	761
Current liabilities							
Borrowings	9 466	11 701	31 292	-	-	3 432	55 891
Accounts payable	1 444	13 884	4 784	94	-	166	20 372
Finance leases of lands plots	-	-	87	-	-	-	87
Total liabilities	**10 910**	**25 585**	**36 163**	**86 258**	**3 173**	**34 422**	**196 511**
Net liquidity gap as at 30 June 2006	**(5 795)**	**(20 280)**	**(26 508)**	**(62 719)**	**(3 173)**	**210 911**	**92 436**
Cumulative liquidity gap as at 30 June 2006	**(5 795)**	**(26 075)**	**(52 583)**	**(115 302)**	**(118 475)**	**92 436**	**-**
Cumulative liquidity gap as at 31 December 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23. Fair Value of Financial Instruments

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

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

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

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

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

Financial assets

Cash and cash equivalents, financial assets at fair value through profit or loss are carried in the balance sheet at their fair value.

Loans to customers

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

Financial assets held to maturity

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

Borrowings

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

24. Contingencies and Commitments

Legal proceedings

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

The Group acquired control over the number of subsidiaries during the reporting period (Note 25). In certain cases the date when the control over the subsidiary begins precedes the date when the equity participation acquired. According to Russian legislation, the participants of the limited liabilities company are entitled to make the decisions on management of the company without any restrictions and any additional agreements which impose limitation of their rights might be declared invalid. The Group's management believes that no such agreements with the participants of the limited liabilities company for the transfer of control to the Group exist that can be declared invalid or annul a treaty.

Tax legislation

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

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

As at 30 June 2006 the Group has VAT recoverable in the amount of USD 10 032 thousand the most part of which arose on as the result of acquisition and construction of investment properties. The Group management is of the opinion that VAT receivable will be recovered and accordingly no provision for impairment of VAT recoverable has been made in these consolidated interim financial statements.

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

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

(in thousands of US Dollars)

Pledged assets

The Group has the following assets that have been pledged as collateral for borrowings received (Note 15):

	Note	30 June 2006 Fair value of assets pledged	30 June 2006 Related obligation	31 December 2005 Fair value of assets pledged	31 December 2005 Related obligation
Investment property	6, 15	55 122	26 775	-	-
Land plots under development and construction in progress	7, 15	79 722	53 480	-	-
Capital advances under construction contracts	8, 15	4 013	6 281	-	-
Total		**138 857**	**86 536**	**-**	**-**

As at 30 June 2006 stakes in TC Svobodniy LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. TC Svobodniy LLC owns the investment property with a fair value of USD 38 500 thousand which was also pledged by the Group.

As at 30 June 2006 stakes in RTM – Samara LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. RTM – Samara LLC owns the land plots under development and constructions in progress with a fair value of USD 16 230 thousand.

As at 30 June 2006 stakes in RTM – Lipetsk LLC, RTM – Odintsovo LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. RTM – Lipetsk LLC, RTM – Odintsovo LLC own the land plots under development and constructions in progress with a fair value of USD 18 573 thousand, which were also pledged by the Group.

Operating lease commitments

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

	30 June 2006	31 December 2005
Less than 1 year	293	-
From 1 to 5 years	53	-
Total operating lease commitments	**346**	**-**

Leasehold properties

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

Capital commitments

The Group's future capital commitments are as follows:

	30 June 2006	31 December 2005
Less than 1 year	11 804	-
From 1 to 5 years	33 580	-
Total capital commitments	**45 384**	**-**

(in thousands of US Dollars)

25. Acquisitions of Subsidiaries

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

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

	30 June 2006	31 December 2005
Goodwill as at the beginning of the reporting period	-	-
Goodwill arising on acquisition of subsidiaries:		
Romeks – Invest LLC	1 763	-
Rekom LLC	190	-
Elko Systems LLC	105	-
TorgPromAktiv LLC	25	-
CJSC RTM Development	23	-
Goodwill as at the end of the reporting period	**2 106**	**-**

Romeks – Invest LLC

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

	At the date of the acquisition – 26 May 2006
Constructions in progress	2 661
VAT recoverable	182
Accounts receivable	175
Cash and cash equivalents	31
Deferred income tax assets	7
Accounts payable	(3 028)
Borrowings	(69)
Total net assets	**(41)**
Consideration paid	
Payables for acquired subsidiary	1 722
Goodwill	**1 763**

Rekom LLC

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

	At the date of the acquisition – 26 May 2006
Accounts receivable	7 838
Loans to customers	1 804
Cash and cash equivalents	-
Deferred income tax assets	60
Borrowings	(9 892)
Accounts payable	-
Total net assets	**(190)**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**190**

(in thousands of US Dollars)

Elko Systems LLC

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

	At the date of the acquisition – 31 January 2006
Investment property	1 169
Accounts receivable	184
Deferred income tax assets	31
Loans to customers	4
Cash and cash equivalents	1
Borrowings	(1 494)
Accounts payable	-
Total net assets	**(105)**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**105**

TorgPromAktiv LLC

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

	At the date of the acquisition – 20 January 2006
Loans to customers	175
VAT recoverable	32
Accounts receivable	1
Cash and cash equivalents	2
Deferred income tax assets	2
Accounts payable	(225)
Borrowings	(12)
Total net assets	**(25)**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**25**

CJSC RTM Development

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

	At the date of the acquisition – 01 February 2006
Deferred income tax assets	5
Accounts payable	(28)
Borrowings	-
Total net assets	**(23)**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**23**

(in thousands of US Dollars)

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

	30 June 2006	31 December 2005
Mobil Systems LLC	(23 698)	-
RTM – Odintsovo LLC	(7 817)	
CJSC Kaskad	(4 172)	-
CJSC Mercury	(2 808)	-
TC Svobodnyi LLC	(2 645)	-
RTM – Samara LLC	(2 371)	
MP Trading LLC	(2 215)	-
CJSC FPK Orbita	(859)	-
Expo Tekh LLC	(532)	-
DT 1 Era 2 LLC	(164)	-
Markon LLC	(111)	-
RTM – Lipetsk LLC	(3)	-
Panteks LLC	(1)	-
LLC RTM - Supermarkety	(1)	-
Elegans LLC	-	-
Effect of exchange rate changes	640	-
Total excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**(46 757)**	**-**

Mobil Systems LLC

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

	At the date of the acquisition – 11 January 2006
Investment property	41 454
Accounts receivable	395
Cash and cash equivalents	111
VAT recoverable	64
Other assets	13
Deferred income tax liabilities	(7 705)
Borrowings	(4 131)
Accounts payable	(2 157)
Total net assets	**28 044**
Consideration paid	
Payables for acquired subsidiary	4 346
Goodwill	**(23 698)**

RTM – Odintsovo LLC

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

	At the date of the acquisition – 30 May 2006
Land plot under development and constructions in progress	12 605
Loans to customers	4 196
Receivables under construction contracts	4 014
Accounts receivable	670
Cash and cash equivalents	4
Borrowings	(10 896)
Deferred income tax liabilities	(2 492)
Accounts payable	(205)
Total net assets	**7 896**
Including net assets acquired by the Group (99%)	7 817
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(7 817)**

(in thousands of US Dollars)

CJSC Kaskad

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

	At the date of the acquisition – 11 January 2006
Investment property	7 435
Accounts receivable	21
VAT recoverable	4
Cash and cash equivalents	-
Other assets	14
Deferred income tax liabilities	(1 397)
Accounts payable	(138)
Borrowings	(32)
Total net assets	**5 907**
Consideration paid	
Payables for acquired subsidiary	1 735
Goodwill	**(4 172)**

CJSC Mercury

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

	At the date of the acquisition – 11 January 2006
Land plot under development and constructions in progress	28 710
Receivables under construction contracts	6 971
Cash and cash equivalents	1 903
Loans to customers	744
VAT recoverable	221
Other assets	619
Borrowings	(35 012)
Deferred income tax liabilities	(1 117)
Accounts payable	(231)
Total net assets	**2 808**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(2 808)**

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

TC Svobodnyi LLC

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

	At the date of the acquisition – 30 April 2006
Investment property	11 818
Cash and cash equivalents	1 659
Accounts receivable	387
Loans to customers	141
VAT recoverable	9
Borrowings	(9 429)
Finance leases of lands plots	(841)
Deferred income tax liabilities	(675)
Accounts payable	(424)
Total net assets	**2 645**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(2 645)**

(in thousands of US Dollars)

RTM – Samara LLC

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

	At the date of the acquisition – 11 January 2006
Land plot under development and constructions in progress	10 791
VAT recoverable	-
Cash and cash equivalents	-
Other assets	41
Borrowings	(7 713)
Deferred income tax liabilities	(747)
Other liabilities	(1)
Total net assets	**2 371**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(2 371)**

MP Trading LLC

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

	At the date of the acquisition – 31 May 2006
Investment property	3 960
Accounts receivable	2 137
Loans to customers	19
VAT recoverable	1
Cash and cash equivalents	-
Borrowings	(3 430)
Deferred income tax liabilities	(470)
Accounts payable	(2)
Total net assets	**2 215**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(2 215)**

CJSC FPK Orbita

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

	At the date of the acquisition – 30 April 2006
Investment property	3 769
Accounts receivable	669
Land plot under development and constructions in progress	207
Receivables under construction contracts	203
Cash and cash equivalents	31
Other assets	21
Accounts payable	(3 949)
Deferred tax liabilities	(83)
Borrowings	(9)
Total net assets	**859**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**859**

(in thousands of US Dollars)

Expo Tekh LLC

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

	At the date of the acquisition – 20 January 2006
Constructions in progress	13 501
VAT recoverable	2 458
Accounts receivable	1 591
Cash and cash equivalents	14
Other assets	707
Borrowings	(10 009)
Accounts payable	(7 610)
Deferred income tax liabilities	(120)
Total net assets	**532**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(532)**

DT 1 Era 2 LLC

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

	At the date of the acquisition – 11 January 2006
Loans to customers	181
Accounts receivable	14
VAT recoverable	14
Cash and cash equivalents	1
Accounts payable	(45)
Other liabilities	(1)
Total net assets	**164**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(164)**

Markon LLC

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

	At the date of the acquisition – 11 January 2006
Loans to customers	3 316
Accounts receivable	122
Cash and cash equivalents	19
VAT recoverable	5
Other assets	687
Borrowings	(4 005)
Accounts payable	(20)
Deferred income tax liabilities	(13)
Total net assets	**111**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(111)**

(in thousands of US Dollars)

RTM – Lipetsk LLC

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

	At the date of the acquisition – 11 January 2006
Receivables under construction contracts	638
Accounts receivable	636
Cash and cash equivalents	3
Other assets	5
Borrowings	(1 275)
Accounts payable	(3)
Deferred income tax liabilities	(1)
Total net assets	**3**
Including net assets acquired by the Group (90%)	3
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(3)**

Panteks LLC

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

	At the date of the acquisition – 11 January 2006
Loans to customers	73
Accounts receivable	42
Cash and cash equivalents	38
Investment property	13
VAT recoverable	5
Deferred income tax assets	-
Accounts payable	(111)
Borrowings	(35)
Other liabilities	(23)
Total net assets	**2**
Including net assets acquired by the Group (51%)	1
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(1)**

RTM Supermarkety

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

	At the date of the acquisition – 20 January 2006
Accounts receivable	1
Cash and cash equivalents	-
Deferred income tax assets	-
Accounts payable	-
Total net assets	**1**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**(1)**

(in thousands of US Dollars)

Elegans LLC

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

	At the date of the acquisition – 11 January 2006
Loans to customers	86
Accounts receivable	-
Cash and cash equivalents	-
Other assets	-
Borrowings	(86)
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

Technosoft LLC

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

	At the date of the acquisition – 11 January 2006
Other assets	-
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

Kaskad LLC

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

	At the date of the acquisition – 11 January 2006
Other assets	-
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

FinTrade LLC

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

	At the date of the acquisition – 20 May 2006
Other assets	-
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

(in thousands of US Dollars)

RTM – Voronezh Severniy LLC

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

	At the date of the acquisition – 1 May 2006
Cash and cash equivalents	-
Accounts receivable	-
Other assets	-
Borrowings	-
Accounts payable	-
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

CJSC RTM – Perspectiva

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

	At the date of the acquisition – 29 June 2006
Other assets	-
Total net assets	**-**
Consideration paid	
Payables for acquired subsidiary	-
Goodwill	**-**

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

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

Operating entity	Total net assets at the date of the acquisition	Goodwill and excess of acquirer's interest in the net fair value of acquiree's net assets over cost
CJSC Kaskad	5 907	(4 172)
MP Traiding LLC	2 215	(2 215)
Expo Tekh LLC	532	(532)
Rekom LLC	(190)	190
DT 1 Era 2 LLC	164	(164)
Elko Systems LLC	(105)	105
Markon LLC	111	(111)
Romeks – Invest LLC	(41)	1 763
RTM – Lipetsk LLC	3	(3)
Panteks LLC	2	(1)
RTM-Supermarkety LLC	1	(1)
Elegans LLC	-	-
Kaskad LLC	-	-
Technosoft LLC	-	-
FinTrade LLC	-	-
Total amounts	**8 599**	**(5 138)**

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

Operating entity	Total net assets at the date of the acquisition	Goodwill and excess of acquirer's interest in the net fair value of acquiree's net assets over cost
CJSC Mercury	2 808	(2 808)
CJSC FPK Orbita	859	(859)
Total amounts	**3 667**	**(3 667)**

(in thousands of US Dollars)

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

Operating entity	Total net assets at the date of the acquisition	Goodwill and excess of acquirer's interest in the net fair value of acquiree's net assets over cost
Mobil Systems LLC	28 044	(23 698)
RTM – Odintsovo LLC	7 817	(7 817)
TC Svobodnyi LLC	2 645	(2 645)
RTM – Samara LLC	2 371	(2 371)
TorgPromAktiv LLC	(25)	25
CJSC RTM Development	(23)	23
RTM – Voronezh Severniy LLC	-	-
CJSC RTM – Perspectiva	-	-
Total amounts	**40 829**	**(36 483)**

26. Subsequent Events

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

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

On 31 August 2006 the Group acquired a share in charter capital of RTM – Lipetsk LLC (90%).

On 22 September 2006 the Group acquired shares in charter capitals of the following companies: CJSC Kaskad (100%), Panteks LLC (51%), Elko Systems LLC (100%), TorgPromAktiv LLC (100%), TC Svobodnyi LLC(100%), Mobil Systems LLC(100%), CJSC RTM Development(100%), Romeks – Invest LLC(100%), Markon LLC(100%), CJSC RTM – Perspectiva (100%), CJSC FPK Orbita (100%).