OAO Group LSR
(formerly OOO Group LSR)

Consolidated Interim Financial Statements
for the six months ended
30 June 2006

Contents

Independent Accountants' Report	3
Consolidated Interim Income Statement	4
Consolidated Interim Balance Sheet	5
Consolidated Interim Statement of Cash Flows	7
Notes to the Consolidated Interim Financial Statements	9

ZAO KPMG

19 Moscovsky Prospect
St. Petersburg 198005
Russia

Tel. +7 (812) 325 8348
Fax +7 (812) 325 8347
www.kpmg.ru

Independent Accountants' Review Report

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

We have reviewed the accompanying consolidated interim balance sheet of OAO Group LSR (formerly OOO Group LSR) (the "Company") and its subsidiaries (the "Group") as at 30 June 2006, and the related consolidated interim statements of income and cash flows for the six-month period then ended. This consolidated interim financial information is the responsibility of the Company's management. Our responsibility is to issue a report on this consolidated interim financial information based on our review

We conducted our review in accordance with the International Standard on Review Engagements 2400. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2006, and the results of its operations and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Without modifying our review conclusion, we draw attention to the fact that the USD amounts in the accompanying consolidated interim financial information, which are presented solely for the convenience of users as described in Note 2(d) and do not form part of the consolidated interim financial information, are unreviewed.

KPMG

ZAO KPMG

25 October 2006

For the six months ended 30 June

	Note	2006 '000 RUR	2005 '000 RUR	2006 '000 USD*	2005 '000 USD*
Continuing operations					
Revenues		9,336,450	4,721,707	344,787	174,368
Cost of sales		(6,152,181)	(3,591,694)	(227,195)	(132,638)
Gross profit		3,184,269	1,130,013	117,592	41,730
Distribution expenses		(608,228)	(132,564)	(22,461)	(4,896)
Administrative expenses	7	(1,459,502)	(919,853)	(53,898)	(33,969)
Other expenses	8	(82,346)	(58,362)	(3,041)	(2,155)
Financial income	10	178,104	96,274	6,577	3,555
Financial expenses	10	(491,169)	(327,775)	(18,138)	(12,104)
Profit /(loss) before tax		721,128	(212,267)	26,631	(7,839)
Income tax (expense)/benefit	11	(220,802)	84,168	(8,154)	3,108
Net profit/(loss) from continuing operations		500,326	(128,099)	18,477	(4,731)
Discontinued operations					
Loss from discontinued operations, net of income tax		-	(119,049)	-	(4,396)
Net profit/(loss) for the period		500,326	(247,148)	18,477	(9,127)
Attributable to:					
Shareholders of the Company		454,177	(246,425)	16,772	(9,100)
Minority interest		46,149	(723)	1,705	(27)
		500,326	(247,148)	18,477	(9,127)
Basic and diluted earnings/(loss) per share	23				
Ordinary shares		5.33 RUR	(2.89) RUR	0.20 USD*	(0.11) USD*
Continuing operations					
Ordinary shares		5.33 RUR	(1.50) RUR	0.20 USD*	(0.06) USD*

The consolidated interim financial statements were approved on 25 October 2006:

I.M. Levit
Chief Executive Officer

E.V. Tumanova
Chief Financial Officer

The consolidated interim income statement is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 9 to 62.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

	Note	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
ASSETS					
Non-current assets					
Property, plant and equipment	12	8,352,698	8,121,466	308,457	299,919
Investment property under development	13	269,262	178,040	9,944	6,575
Investment property	14	1,038,834	-	38,363	-
Intangible assets		510,464	24,269	18,851	896
Other investments	15	63,275	37,200	2,337	1,374
Deferred tax assets	16	183,268	304,381	6,768	11,241
Other non-current assets		156,468	477	5,779	18
		10,574,269	8,665,833	390,499	320,023
Current assets					
Other investments	15	1,420,974	574,668	52,475	21,222
Inventories	17	8,865,341	8,321,742	327,387	307,315
Income tax receivable		30,028	13,049	1,109	482
Trade and other receivables	18	6,622,510	3,661,381	244,563	135,212
Cash and cash equivalents	19	814,641	776,045	30,086	28,659
		17,753,494	13,346,885	655,620	492,890
Total assets		28,327,763	22,012,718	1,046,119	812,913

The consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 9 to 62.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

	Note	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
LIABILITIES					
Net assets attributable to shareholders of the Company	20	4,026,050	2,559,147	148,678	94,507
Minority interest		361,279	455,858	13,341	16,834
Non-current liabilities					
Loans and borrowings	21	4,415,937	1,500,559	163,077	55,414
Deferred tax liabilities	16	884,552	743,464	32,666	27,455
Trade and other payables		8,183	3,119	302	115
		5,308,672	2,247,142	196,045	82,984
Current liabilities					
Bank overdraft		10,800	9,467	399	350
Loans and borrowings	21	4,875,034	5,639,038	180,031	208,245
Income tax payable		106,733	78,420	3,942	2,896
Trade and other payables	24	13,608,393	10,703,900	502,546	395,289
Provisions	22	30,802	319,746	1,137	11,808
		18,631,762	16,750,571	688,055	618,588
Total liabilities and net assets attributable to shareholders		28,327,763	22,012,718	1,046,119	812,913

The consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 9 to 62.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

For the six months ended 30 June	2006 '000 RUR	2005 '000 RUR	2006 '000 USD*	2005 '000 USD*
OPERATING ACTIVITIES				
Net profit/(loss) for the period	500,326	(247,148)	18,477	(9,127)
Adjustments for:				
Depreciation and amortisation	564,744	521,810	20,856	19,270
Loss on disposal of property, plant and equipment	109,822	78,035	4,056	2,882
Interest expense	442,004	333,643	16,323	12,321
Interest income	(14,367)	(29,916)	(531)	(1,105)
Dividend income	(69,782)	(119)	(2,577)	(4)
Other non-cash movement	3	3	-	-
Income tax expense/(benefit)	220,802	(114,429)	8,154	(4,226)
Operating profit before changes in working capital and provisions	**1,753,552**	**541,879**	**64,758**	**20,011**
Increase in inventories	(642,770)	(1,647,409)	(23,737)	(60,837)
Increase in trade and other receivables	(2,340,787)	(1,238,084)	(86,443)	(45,721)
Increase in trade and other payables	1,629,877	2,020,535	60,190	74,617
(Increase)/decrease in provisions	(68,802)	75,271	(2,541)	2,780
Cash flows from/(utilised by) operations before income taxes and interest paid	**331,070**	**(247,808)**	**12,227**	**(9,150)**
Income taxes paid	(236,302)	(45,214)	(8,726)	(1,670)
Interest paid	(446,334)	(288,449)	(16,483)	(10,652)
Cash flows utilised by operating activities	**(351,566)**	**(581,471)**	**(12,982)**	**(21,472)**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 9 to 62.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

For the six months ended 30 June	**2006**	**2005**	**2006**	**2005**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	5,698	2,472	211	92
Interest received	14,367	29,916	531	1,105
Dividends received	69,782	119	2,577	4
Acquisition of property, plant and equipment	(539,972)	(672,415)	(19,941)	(24,832)
Acquisition of investment property under development	9,222	(48,495)	341	(1,791)
Loans given	(824,886)	(279,163)	(30,463)	(10,309)
Disposal of discontinued operations net of cash disposed of	(14,187)	-	(524)	-
Disposal of subsidiaries net of cash disposed of	31,955	-	1,180	-
Acquisition of subsidiaries, net of cash acquired	(785,954)	-	(29,024)	-
Acquisition of minority interest	(4,996)	(40,233)	(184)	(1,486)
Purchase of other investments	(66,793)	(835,648)	(2,467)	(30,860)
Cash flows utilised by investing activities	**(2,105,764)**	**(1,843,447)**	**(77,763)**	**(68,077)**
FINANCING ACTIVITIES				
Proceeds from borrowings	8,830,463	5,650,876	326,101	208,682
Repayment of borrowings	(6,198,715)	(3,005,264)	(228,913)	(110,982)
Contribution from shareholder	226,663	187,091	8,370	6,909
Payment of finance lease liabilities	(363,818)	(435,282)	(13,435)	(16,075)
Cash flows from financing activities	**2,494,593**	**2,397,421**	**92,123**	**88,534**
Net increase in cash and cash equivalents	37,263	(27,497)	1,378	(1,015)
Cash and cash equivalents at beginning of period	**766,578**	**152,882**	**28,309**	**5,646**
Cash and cash equivalents at end of period (note 19)	**803,841**	**125,385**	**29,687**	**4,631**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim financial statements set out on pages 9 to 62.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

1 Background

(a) Organisation and operations

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

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

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

The Group is ultimately controlled (78.4%) by a single individual, Mr. Molchanov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. He also has a number of other business interests outside of the Group. Related party transactions are detailed in note 28.

(b) Russian business environment

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

2 Basis of preparation

(a) Statement of compliance

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

The Group has not prepared consolidated financial statements in accordance with Russian accounting principles. Accordingly, no reconciliation between the consolidated interim financial statements and consolidated financial statements prepared under Russian accounting principles has been prepared.

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that investments available-for-sale are stated at fair value; property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated interim financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Convenience translation

In addition to presenting the consolidated interim financial statements in RUR, supplementary information in USD has been prepared for the convenience of users of the consolidated interim financial statements.

All amounts in the consolidated interim financial statements are translated from RUR to USD at the closing exchange rate at 30 June 2006 of RUR 27.0789 to USD 1.

The RUR is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUR to USD should not be considered as a representation that the RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or any other exchange rate.

(e) Use of estimates and judgments

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

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

- Note 12 – deemed cost of property plant and equipment;
- Note 22(a) – provision for loss making contracts;
- Note 22(b) – provision for site restoration; and
- Note 27 – contingencies.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated interim financial statements. These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for trading purposes. The Group does not have any direct or indirect shareholdings in these entities. However, the SPEs are established under terms that impose strict limitations on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to their operations and net assets are presently attributable to the Group via a number of agreements.

(iii) Acquisitions from entities under common control

Acquisitions of controlling interests in entities that are under the control of the same controlling shareholder as the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their previous book values as recognised in the individual financial statements of the acquiree. Any difference between the book value of net assets acquired and consideration paid is recognised as contribution from shareholders in net assets attributable to shareholders.

(iv) Disposals to entities under common control

Disposals of controlling interests in entities that are under the control of the same controlling shareholder as the Group are accounted for at the date of transfer of shares from the Group. The assets and liabilities sold are derecognised at their previous book values as recognised in the individual financial statements of the Group. Any difference between the book value of net assets sold and consideration received is recognised as contribution from shareholders in net assets attributable to shareholders.

(v) Acquisitions and disposals of minority interests

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

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary including attributable

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

goodwill, is recognised as distribution to shareholders directly in net assets attributable to shareholders.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in foreign currencies are translated to RUR at the 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 RUR at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to RUR at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RUR at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of property, plant and equipment at the date of adopting IFRSs, 1 January 2005, was determined by reference to its fair value at that date ("deemed cost").

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

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

(d) Goodwill and negative goodwill

Adoption of IFRSs

Goodwill/negative goodwill in relation to a business combination that occurred prior to the date of adopting IFRSs, 1 January 2005, was determined at that date as the difference between the cost of acquisition of the subsidiary, adjusted for hyperinflation until the end of 2002 where applicable, and the IFRS carrying amounts of the assets and liabilities of the subsidiary in the interim consolidated financial statements.

Other goodwill

Other goodwill arising on an acquisition represents the excess of the cost of the acquirer’s interest in the net fair value of identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less impairment losses.

Other negative goodwill

Other negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill is recognised immediately in the income statement.

(e) Investment propery

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(f) Investments

Investments are recognised (derecognised) when the Group obtains (loses) control over the contractual rights inherent in that asset.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Except as outlined below, investments are accounted for as follows:

- Investments held-to-maturity are stated initially at cost. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period to maturity on an effective interest basis.
- Other investments are classified as available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity.

The fair value of investments is their quoted bid price at the balance sheet date. Investments in equity securities that are not quoted on a stock exchange, and where fair value cannot be estimated on a reasonable basis by other means, are stated at cost less impairment losses.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(h) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses.

Amounts recoverable on contracts are stated at cost plus profit recognized to date (see accounting policy 3(q)) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

(i) Cash and cash equivalents

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

(j) Impairment

The carrying amount of goodwill is tested for impairment annually. The carrying amounts of the Group's other assets, other than inventories 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 assets' recoverable amounts are estimated.

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(i) Calculation of recoverable amount

The recoverable amount of the Group's held-to-maturity investments, and loans and receivables, is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

(ii) Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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 amortisation, if no impairment loss had been recognised.

(k) Share capital

(i) Share capital

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

Accordingly, the share capital of the Company and retained earning are grouped together and shown as net assets attributable to shareholders, which are liabilities of the Company.

(l) Loans and borrowings

Loans and borrowings are recognised initially at cost. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) Employee benefits

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Trade and other payables

Trade and other payables are stated at cost.

(p) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Revenues

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the sale of flats is recognized when the buyer takes occupation of the property.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction to the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the income statement.

(r) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, minority interests in income of limited liability subsidiaries, dividend income, foreign exchange gains and losses, and impairment losses and gains and losses on the disposal of available-for-sale investments.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses.

Interest income is recognised as it accrues, taking into account the effective yield on the asset. Dividend income is recognised on the date that the Group becomes entitled to the dividend.

(s) Other expenses

(i) Operating leases

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

(ii) Social expenditure

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

(t) Segment reporting

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

(u) New Standards and Interpretations not yet adopted

The following new Standards and Interpretations are not yet effective and have not been applied in preparing these consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective.

- IFRS 7 *Financial Instruments: Disclosures* and the Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures*, require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

qualitative and quantitative disclosures on the nature and extent of the risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- *IFRIC 8 scope of IFRS 2 Share-based payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.
- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognized in previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2005). The Group has not yet determined the potential effect of the interpretation.

4 Segment reporting

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

Inter-segment pricing in the case of certain transactions is not determined on an arm's length basis.

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

(a) Business segments

The Group comprises the following main business segments:

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

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

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Construction and construction services. Construction and construction services companies specialize in large panel residential buildings development, provision of construction services and ferroconcrete pile driving.

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

(b) Geographical segments

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

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(i) Business segments

For the six months ended 30 June

	Development		Building materials		Aggregates		Roads construction (discontinued)		Construction and construction services		Other entities		Eliminations		Consolidated		Less Roads construction (discontinued)		Continuing operations	
’000 RUR	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenue from external customers	2,189,241	593,040	3,503,165	1,957,948	1,331,806	746,120	-	909,197	2,029,152	1,224,025	283,086	200,574	-	-	9,336,450	5,630,904	-	(909,197)	9,336,450	4,721,707
Inter-segment revenue	16,408	20,596	126,606	70,928	383,045	2,547	-	19,848	102,145	417,968	695,476	96,642	(1,323,680)	(628,529)	-	-		-	-	-
Total revenue	2,205,649	613,636	3,629,771	2,028,876	1,714,851	748,667	-	929,045	2,131,297	1,641,993	978,562	297,216	(1,323,680)	(628,529)	9,336,450	5,630,904	-	(909,197)	9,336,450	4,721,707
Segment result	318,999	(83,690)	201,353	162,486	200,750	(80,329)	-	(141,013)	306,663	105,436	90,841	34,183	159,521	(28,589)	1,278,127	(31,516)	-	141,013	1,278,125	109,497
Unallocated expenses															(243,934)	(90,263)	-	-	(243,932)	(90,263)
Financial income															178,104	96,496	-	(222)	178,104	96,274
Financial expenses															(491,169)	(336,294)	-	8,519	(491,169)	(327,775)
Income tax expense/(benefit)															(220,802)	114,429	-	(30,261)	(220,802)	84,168
Net profit/(loss) for the period															500,326	(247,148)	-	119,049	500,326	(128,099)
Depreciation/amortisation	4,906	3,454	163,095	135,353	182,136	203,003	-	35,802	111,334	104,424	103,273	39,774	-		564,744	521,810	-	(35,802)	564,744	486,008
Capital expenditure	9,807	41,905	1,189,893	501,429	145,979	131,578	-	227,683	119,664	61,886	245,083	299,841	(840,592)	(251,928)	869,834	1,012,394	-	(227,683)	869,834	784,711

∗ _The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d)._

For the six months ended 30 June

	Development		**Building materials**		**Aggregates**		**Roads construction (discontinued)**		**Construction and construction services**		**Other entities**		**Eliminations**		**Consolidated**		**Less Roads construction (discontinued)**		**Continuing operations**	
’000 USD *	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Revenue from external customers	80,847	21,900	129,369	72,305	49,182	27,554	-	33,576	74,935	45,202	10,455	7,407	-	-	344,788	207,944	-	(33,576)	344,788	174,368
Inter-segment revenue	606	761	4,675	2,619	14,146	94	-	733	3,772	15,435	25,683	3,569	(48,882)	(23,211)	-	-	-	-	-	-
Total revenue	81,453	22,661	134,044	74,924	63,328	27,648	-	34,309	78,707	60,637	36,138	10,976	(48,882)	(23,211)	344,788	207,944	-	(33,576)	344,788	174,368
Segment result	11,780	(3,091)	7,436	6,000	7,413	(2,967)	-	(5,207)	11,324	3,894	3,355	1,262	5,891	(1,056)	47,201	(1,165)	-	5,207	47,201	4,042
Unallocated expenses															(9,009)	(3,332)	-	-	(9,009)	(3,332)
Financial income															6,577	3,563	-	(8)	6,577	3,555
Financial expenses															(18,138)	(12,419)	-	315	(18,138)	(12,104)
Income tax expense/(benefit)															(8,154)	4,226	-	(1,118)	(8,154)	3,108
Net profit /(loss) for the period															18,477	(9,127)	-	4,396	18,477	(4,731)
Depreciation/amortisation	181	127	6,023	4,999	6,726	7,496	-	1,322	4,111	3,856	3,815	1,470	-		20,856	19,270	-	(1,322)	20,856	17,948
Capital expenditure	362	1,549	43,942	18,517	5,390	4,859		8,408	4,418	2,285	9,051	11,073	(31,041)	(9,304)	32,122	37,387	-	(8,408)	-	28,979

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

’000 RUR	Development		Building materials		Aggregates		Roads construction (discontinued)		Construction and construction services segment		Other entities segment		Eliminations		Consolidated	
	30 June 2006	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**
Segment assets	11,759,692	8,664,327	5,910,291	4,879,402	2,448,554	2,472,736	-	1,539,247	3,379,535	3,408,548	2,509,094	1,000,395	(834,293)	(1,581,876)	25,172,873	20,382,779
Anallocated assets															3,154,890	1,629,939
Total assets															28,327,763	22,012,718
Segment liabilities	10,482,297	8,243,164	1,287,208	1,176,489	502,330	567,789	-	1,450,591	728,376	928,334	1,795,311	561,764	(770,279)	(1,448,867)	14,025,243	11,479,264
Unallocated liabilities															9,915,191	7,518,449
Net assets attributable to shareholders															4,026,050	2,559,147
Total liabilities and net assets attributable to shareholders															27,966,484	21,556,860

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

	Development		Building materials		Aggregates		Roads construction (discontinued)		Construction and construction services segment		Other entities segment		Eliminations		Consolidated	
'000 USD *	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**	**30 June 2006**	**31 December 2005**
Segment assets	434,276	319,966	218,261	180,192	90,423	91,316	-	56,843	124,804	125,875	92,659	36,944	(30,810)	(58,417)	929,613	752,719
Unallocated assets															116,506	60,194
Total assets															1,046,119	812,913
Segment liabilities	387,103	304,413	47,535	43,447	18,550	20,968	-	53,569	26,899	34,283	66,299	20,745	(28,446)	(53,505)	517,940	423,920
Unallocated liabilities															366,160	277,652
Net assets attributable to shareholders															148,678	94,507
Total liabilities and net assets attributable to shareholders															1,032,778	796,079

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

5 Discontinued operation

In January 2006 the Group sold its entire roads construction segment; the segment was not a discontinued operation or classified as held for sale as at 31 December 2005 and the comparative income statement has been re-presented to show the discontinued operations separately from continuing operations. Management commited to a plan to sell this division early 2006 due to the strategic decision to place greater focus on the Group's key competencies, being the manufacture of building materials, development, aggregates and construction and construction services.

Results attributable to the discontinued operation were as follows:

	Six months ended 30 June 2005	
	'000 RUR	**'000 USD***
Results of discontinued operation		
Revenue	909,197	33,576
Cost of sales	(970,246)	(35,830)
Administrative expenses	(55,080)	(2,034)
Other expenses	(24,884)	(919)
Financial income	222	8
Financial expenses	(8,519)	(315)
Loss from operating activities	(149,310)	(5,514)
Income tax benefit	30,261	1,118
Loss from operating activities, net of income tax	(119,049)	(4,396)
Basic and diluted loss per share	(1.39) RUR	(0.05) USD*
Cash flows from discontinued operation		
Net cash utilised by operating activities	(499,103)	(18,432)
Net cash utilised by investing activities	(40,789)	(1,506)
Net cash from financing activities	537,244	19,840
Net cash utilised by discontinued operation	(2,648)	(98)

	As at 31 December 2005	
	'000 RUR	**'000 USD***
Effect of disposal on the financial position of the Group		
Property, plant and equipment	480,164	17,732

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Deferred tax asset	157,682	5,823
Inventories	487,951	18,020
Trade and other receivables	876,411	32,365
Cash and cash equivalents	48,254	1,782
Trade and other payables	(1,132,791)	(41,833)
Other liabilities	(1,217,318)	(44,955)
Net identifiable assets and liabilities	(299,647)	(11,066)
Difference between net assets disposed and consideration received recognised in net assets attributable to shareholders	333,714	12,324
Consideration received, satisfied in cash	34,067	1,258
Cash disposed of	(48,254)	(1,782)
Net cash outflow	(14,187)	(524)

6 Acquisition of subsidiaries

(a) Acquisition of subsidiaries

During 6 months ended 30 June 2006 the Group acquired controlling stakes, settled in cash, in eight entities ZAO Galernaya (formerly OOO Galernaya), ZAO Severnaya Venetcia, ZAO Vsevologskoe SMP, OOO Yakornaya, OOO Baltstroikomplect, OOO Smolniy kvartal, OOO Cement and ZAO Chifko plus from companies controlled by the ultimate controlling party and in two entities OAO Zavod Zhelezobetonnich Izdeliy-6 and Aeroc International AS from unrelated parties. The impact of acquiring the subsidiaries was to reduce net profit for the 6 months ended 30 June 2006 by RUR 7,461 thousand / USD* 276 thousand.

If the acquisitions had occurred on 1 January 2006, Group revenue for the period would have increased by RUR 115,298 thousand/ USD* 4,258 thousand and the net profit for the period would have decreased by RUR 883 thousand/ USD* 33 thousand. In determining these figures, it has been assumed that the fair value adjustments at 1 January 2006 would have been the same as the fair value adjustments that arose on the date of acquisition.

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

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

'000 RUR **Recognised fair/book values on acquisition**

	OAO Zavod Zhelezobetonnich Izdeliy-6	Aeroc International AS	OOO Galernaya	ZAO Severnaya Venetsia	ZAO Vsevologskoye SMP	OOO Yakorn-aya	OOO Baltstroikomplect	OOO Smolniy kvartal	OOO Tsement	ZAO Chifko plus	Total acquired
Non-current assets											
Property, plant and equipment	204,044	621,145	-	-	732	48	359	-	26,882	656	853,866
Investment property under development	-	-	-	-	-	-	-	100,444	-	-	100,444
Investment property	-	-	538,734	500,100	-	-	-	-	-	-	1,038,834
Long-term investments	-	-	9,920	-	-	-	7	-	-	-	9,927
Intangible assets	63	-	-	-	-	-	-	-	-	-	63
Deferred income tax assets, net	-	638	-	-	5,684	-	-	-	-	-	6,322
Other non-current assets	-	-	-	-	-	-	-	133,057	-	-	133,057
Current assets											
Investments	-	-	-	-	10	-	90,500	-	-	-	90,510
Inventories	59,758	35,919	-	27,556	3,197	-	55,508	47,147	51,443	10,894	291,422
Income tax receivable	5,370	332	-	-	-	-	-	-	-		5,702
Trade and other receivables	66,098	50,261	26,468	46,321	4,730	3,296	1,271,408	128,114	19,265	26,879	1,642,840
Cash and cash equivalents	-	31,751	1,037	1	38	213	10,729	101	3,450	1,451	48,771
Due from affiliates	4,508	-	-	-	33,966	2,846	85,191	1,463	-		127,974
Non-current liabilities											
Deferred tax liability	(5,082)	-	(97,395)	(66,480)	-	-	-	-	-	-	(168,957)
Current liabilities											
Loans and borrowings	-	(444,102)	-	(70,666)	-	-	-	-	(22,000)	(10,000)	(546,768)
Income tax payable	-	-	--	-	(1,308)	(34)	(2,468)	-	-	-	(3,810)
Provisions	-	-	-	-	(23,683)	-	-	-	-	-	(23,683)

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Trade and other payables	(50,409)	(55,940)	(6,980)	(16,057)	(5,669)	(5,261)	(1,212,218)	(2,764)	(1,430)	(8,444)	(1,365,172)
Due to affiliates	(21,979)		(156,580)	(212,317)			(280,564)	(407,559)	(77,600)	(3,872)	(1,160,471)
Net identifiable assets, liabilities and contingent liabilities	**262,371**	**240,004**	**315,204**	**208,458**	**17,697**	**1,108**	**18,452**	**3**	**10**	**17,564**	**1,080,871**
Minority interest	(110,196)	(62,401)	-	-	-	(11)	-	-	-	(878)	(173,486)
Net identifiable assets, liabilities and contingent liabilities acquired	152,175	177,603	315,204	208,458	17,697	1,097	18,452	3	10	16,686	907,385
Goodwill on acquisition	251,025	235,346	-	-	-	-	-	-	-	-	486,371
Difference between net assets acquired and consideration paid recognised in net assets attributable to shareholders	-	-	(315,194)	(208,448)	(16,947)	-	(18,442)	-	-	-	(559,031)
Consideration paid	403,200	412,949	10	10	750	1,097	10	3	10	16,686	834,725
Cash acquired	-	(31,751)	(1,037)	(1)	(38)	(213)	(10,729)	(101)	(3,450)	(1,451)	(48,771)
Net cash outflow/(inflow)	403,200	381,198	(1,027)	9	712	884	(10,719)	(98)	(3,440)	15,235	785,954

’000 USD*

Recognised fair/book values on acquisition

	OAO Zavod Zhelezobetonnich Izdeliy-6	Aeroc International AS	OOO Galernaya	ZAO Severnaya Venetsia	ZAO Vsevologskoye SMP	OOO Yakorn-aya	OOO Baltstroikomplect	OOO Smolniy kvartal	OOO Tsement	ZAO Chifko plus	Total acquired
Non-current assets											
Property, plant and equipment	7,537	22,938	-	-	27	2	13	-	993	24	31,534
Investment property under development	-	-	-	-	-	-	-	3,709	-	-	3,709
Investment property	-	-	19,895	18,468	-	-	-	-	-	-	38,363
Long-term investments	-	-	366	-	-	-	-	-	-	-	366
Intangible assets	2	-	-	-	-	-	-	-	-	-	2
Deferred Income Tax assets	-	24	-	-	210	-	-	-	-	-	234
Other non current assets	-	-	-	-	-	-	-	4,914	-		4,914

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Current assets											
Investments	-	-	-	-	-	-	3,342	-	-	-	3,342
Inventories	2,207	1,326	-	1,018	118	-	2,050	1,741	1,900	402	10,762
Income tax receivable	198	12	-	-	-	-	-	-	-	-	210
Trade and other receivables	2,441	1,856	977	1,711	175	122	46,952	4,731	711	993	60,669
Cash and cash equivalents	-	1,173	38	-	1	8	396	4	127	54	1,801
Due from affiliates	166	-	-	-	1,254	105	3,146	54	-	-	4,725
Non-current liabilities											
Loans and borrowings	-	-	-	-	-	-	-	-	-	-	
Deferred tax liability	(188)	-	(3,597)	(2,455)	-	-	-	-	-		(6,240)
Current liabilities											
Loans and borrowings	-	(16,400)	-	(2,610)	-	-	-	-	(812)	(369)	(20,191)
Income tax payable	-	-	-	-	(48)	(1)	(91)	-	-	-	(140)
Provision	-	-	-	-	(875)	-	-	-	-	-	(875)
Trade and other payables	(1,862)	(2,066)	(258)	(593)	(209)	(194)	(44,766)	(102)	(53)	(312)	(50,415)
Due to affiliates	(812)		(5,782)	(7,841)			(10,361)	(15,051)	(2,866)	(143)	(42,856)
Net identifiable assets, liabilities and contingent liabilities	**9,689**	**8,863**	**11,639**	**7,698**	**653**	**42**	**681**	**-**	**-**	**649**	**39,914**
Minority interest	(4,069)	(2,304)	-	-	-	-	-	-	-	(32)	(6,405)
Net identifiable assets, liabilities and contingent liabilities acquired	5,620	6,559	11,639	7,698	653	42	681	-	-	617	33,509
Goodwill on acquisition	9,270	8,691	-	-	-	-	-	-	-	-	17,961
Difference between net assets acquired and consideration paid recognised in net assets attributable to shareholders	-	-	(11,640)	(7,698)	(626)	-	(681)	-	-	-	(20,645)
Consideration paid	14,890	15,250	(1)	-	27	42	-		-	617	30,825
Cash acquired	-	(1,173)	(38)	-	(1)	(8)	(396)	(4)	(127)	(54)	(1,801)
Net cash outflow/(inflow)	14,890	14,077	(39)	-	26	34	(396)	(4)	(127)	563	29,024

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(b) Disposal of subsidiaries

During 6 months ended 30 June 2006 the Group disposed of eight subsidiaries to companies controlled by the ultimate controlling party. The subsidiaries reduced the net profit for the year by RUR 59,241 thousand/ USD* 2,188 thousand. The loss on disposal of RUR 210,636 thousand/ USD* 7,779 thousand was recognised in net assets attributable to shareholders.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

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

'000 RUR	**Carrying amount at date of disposal**								
	NPO Keramika	**OAO Lenstroi-keramika**	**OOO Upravlyay-ushchaya kompaniya**	**OOO Paradny kvartal**	**OAO Stroydetal**	**ZAO Chekalo-vskoye**	**ZAO GATP Blok**	**OOO OP Agis**	**Total disposed**
Non-current assets									
Property, plant and equipment	125,144	-	6,696	-	34,883	-	2,297	43,257	212,277
Intangible assets	40	1	-	-	11	-	-	-	52
Investments	100	-	-	-	100	-	-	-	200
Long-term investments	36,017	7,986	-	-	14,522	-	-	-	58,525
Current assets									
Investments	-	-	835	-	-	-	-	-	835
Inventories	468	-	62,725	-	921	2,460	-	40	66,614
Income tax receivable	45	219	-	-	158	2	1	9	434
Trade and other receivables	7,964	58,497	83,111	47,217	72,850	2,588	486	17,903	290,616
Due from affiliates	-	-	-	-	3,007	-	-	11	3,018
Cash and cash equivalents	55	5,040	10,359	786	709	12	9	7,419	24,389
Non-current liabilities									
Deferred tax liability	(29,257)	-	-	-	(760)	-	-	-	(30,017)
Other non-current liabilities	-	-	-	-	(194)	-	-	-	(194)
Current liabilities									
Loans and borrowings	-	-	(3,478)	-	-	(18,076)	-	(1,295)	(22,849)
Bank overdrafts	-	-	-	-	-	-	(260)	-	(260)
Trade and other payables	(26,215)	(4,811)	(156,458)	(47,656)	(29,668)	(131)	(115)	(17,062)	(282,116)
Provisions	-	-	-	-	(55)	-	-	-	(55)
Income tax payable	-	-	(890)	(89)	-	-	(23)	-	(1,002)

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Net identifiable assets and liabilities	**114,361**	**66,932**	**2,900**	**258**	**96,484**	**(13,145)**	**2,395**	**50,282**	**320,467**
Minority interest	(27,641)	(8,514)	(813)	(128)	(7,738)	5,435	-	(14,089)	(53,488)
Net identifiable assets, liabilities and contingent liabilities disposed	86,720	58,418	2,087	130	88,746	(7,710)	2,395	36,193	266,979
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	-	-	23,735	-	-	23,735
Excess of book values of net assets sold for entities under common control over consideration received	(79,691)	(48,063)	(2,077)	(120)	(86,360)	-	(2,385)	(15,674)	(234,370)
Consideration received	7,029	10,355	10	10	2,386	16,025	10	20,519	56,344
Cash disposed of	(55)	(5,040)	(10,359)	(786)	(709)	(12)	(9)	(7,419)	(24,389)
Net cash inflow/(outflow)	6,974	5,315	(10,349)	(776)	1,677	16,013	1	13,100	31,955

’000 USD*

	Carrying amount at date of disposal								
	NPO Keramika	**OAO Lenstroi-keramika**	**OOO Upravlyay-ushchaya kompaniya**	**ZAO Paradny kvartal**	**OAO Stroydetal**	**ZAO Chekalo-vskoye**	**ZAO GATP Blok**	**OOO OP Agis**	**Total disposed**
Non-current assets									
Property, plant and equipment	4,621	-	247	-	1,288	-	85	1,598	7,839
Intangible assets	1	-	-	-	1	-	-	-	2
Investments	4	-	-	-	4	-	-	-	8
Long-term investments	1,330	295	-	-	536	-	-	-	2,161
Current assets									
Investments	-	-	-	-	-	-	-	-	-
Inventories	17	-	2,316	-	34	91	-	2	2,460
Income tax receivable	2	8	-	-	6	-	-	-	16
Trade and other receivables	294	2,160	3,069	1,744	2,690	96	18	661	10,732

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Short-term investments	-	-	31	-	-	-	-	-	31
Due from affiliates	-	-	-	-	111	-	-	-	111
Cash and cash equivalents	2	186	383	29	26	1	-	274	901
Non-current liabilities									
Deferred tax liability	(1,080)	-	-	-	(28)	-	-	-	(1,108)
Other non-current liabilities	-	-	-	-	(7)	-	-	-	(7)
Current liabilities									
Loans and borrowings	-	-	(128)	-	-	(668)	-	(48)	(844)
Bank overdrafts	-	-	-	-	-	-	(10)	-	(10)
Trade and other payables	(968)	(178)	(5,778)	(1,760)	(1,096)	(5)	(4)	(630)	(10,419)
Provisions	-	-	-	-	(2)	-	-	-	(2)
Due to affiliates	-	-	-	-	-	-	-	-	-
Income tax payable	-	-	(33)	(3)	-	-	(1)	-	(37)
Net identifiable assets and liabilities	**4,223**	**2,471**	**107**	**10**	**3,563**	**(485)**	**88**	**1,857**	**11,834**
Minority interest	(1,021)	(314)	(30)	(5)	(286)	201	-	(520)	(1,975)
Net identifiable assets, liabilities and contingent liabilities disposed	3,202	2,157	77	5	3,277	(284)	88	1,337	9,859
Excess of consideration received for entities under common control over book values of net assets sold	-	-	-	-	-	876	-	-	876
Excess of book values of net assets sold for entities under common control over consideration received	(2,943)	(1,775)	(77)	(4)	(3,189)	-	(88)	(579)	(8,655)
Consideration received	259	382	-	1	88	592	-	758	2,080
Cash disposed of	(2)	(186)	(383)	(29)	(26)	-	-	(274)	(900)
Net cash intflow/(outflow)	257	196	(383)	(28)	62	592	-	484	1,180

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

7 Administrative expenses

	Six months ended 30 June			
	2006	**2005**	**2006**	**2005**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
Wages and salaries	726,461	392,233	26,828	14,485
Services	191,665	131,371	7,078	4,851
Materials	200,345	57,461	7,399	2,122
Depreciation and amortisation	41,647	25,199	1,538	931
Taxes other than profit tax	43,724	53,589	1,615	1,979
Social expenditure	16,699	5,618	617	207
Insurance	5,313	2,772	196	102
Other administrative expenses	233,648	251,610	8,627	9,292
	1,459,502	919,853	53,898	33,969

8 Other expenses

	Six months ended 30 June			
	2006	**2005**	**2006**	**2005**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
Loss on disposal of property, plant and equipment	(109,822)	(74,296)	(4,056)	(2,744)
Gain on disposal of other assets	27,476	15,934	1,015	589
	(82,346)	(58,362)	(3,041)	(2,155)

9 Total personnel costs

	Six months ended 30 June			
	2006	**2005**	**2006**	**2005**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
Wages and salaries:				
Cost of sales	1,082,214	606,450	39,965	22,396
Administrative expenses	726,461	392,233	26,828	14,485
Distribution expenses	59,255	30,552	2,188	1,128
	1,867,930	1,029,235	68,981	38,009

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

10 Financial income and expenses

	Six months ended 30 June			
	2006	2005	2006	2005
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
Financial income				
Foreign exchange gain	93,955	45,057	3,470	1,664
Interest income	14,367	29,729	531	1,098
Income from sale of available-for-sale investments	-	21,369	-	789
Dividend income	69,782	119	2,576	4
	178,104	96,274	6,577	3,555
Financial expenses				
Interest expense	(442,004)	(325,124)	(16,323)	(12,007)
Loss from sale of available-for-sale investments	(18,370)	-	(678)	-
Minority interest in limited liability subsidiaries	(30,795)	(2,651)	(1,137)	(97)
	(491,169)	(327,775)	(18,138)	(12,104)

11 Income tax expense/(benefit)

	Six months ended 30 June			
	2006	2005	2006	2005
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
Current tax expense				
Current year	271,000	51,554	10,008	1,904
Deferred tax expense				
Origination and reversal of temporary differences	(50,198)	(135,722)	(1,854)	(5,012)
Income tax expense/(benefit)	220,802	(84,168)	8,154	3,108
Income tax from continuing operations	220,802	(84,168)	8,154	(3,108)
Income tax from discontinued operations	-	(30,261)	-	(1,118)
	220,802	(114,429)	8,154	(4,226)

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2006 '000 RUR	%	2005 '000 RUR	%	2006 '000 RUR	%	2005 '000 USD*	%
Profit/(loss) for the period	500,326		(247,148)		18,477		(9,127)	
Total income tax expense/(benefit)	220,802		(114,429)		8,154		(4,226)	
Profit/(loss) before tax	721,128	100	(361,577)	100	26,631	100	(13,353)	100
Income tax at applicable tax rate	173,071	24	(86,778)	24	6,391	24	(3,205)	24
Non-deductable/(non-taxable) items	47,731	7	(27,651)	8	1,763	7	(1,021)	8
	220,802	31	(114,429)	32	8,154	31	(4,226)	32

12 Property, plant and equipment

'000 RUR	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2005	3,159,426	1,613,761	994,810	744,114	728,658	7,240,769
Additions	40,789	76,936	186,069	61,479	652,521	1,017,794
Disposals	(29,369)	(9,097)	-	(36,089)	(49,442)	(123,997)
Transfers	12,441	487,672	51,171	30,404	(573,837)	7,851
At 30 June 2005	3,183,287	2,169,272	1,232,050	799,908	757,900	8,142,417
At 31 December 2005	3,373,713	2,759,520	1,398,398	1,038,329	531,180	9,101,140
Acquisitions through business combinations	367,394	312,030	123,087	11,514	39,841	853,866
Additions	33,794	90,957	104,201	27,622	533,970	790,544
Disposals	(23,414)	(378)	(39,891)	(46,272)	(30,235)	(140,190)
Business disposals	(265,396)	(168,187)	(376,984)	(39,214)	(25,675)	(875,456)
Transfers	301,884	400,412	36,181	(510,734)	(271,815)	(44,072)
At 30 June 2006	3,787,975	3,394,354	1,244,992	481,245	777,266	9,685,832
Depreciation and impairment losses						
At 1 January 2005	(371)	-	(38,569)	(835)	-	(39,775)

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Depreciation charge	(172,056)	(87,985)	(187,261)	(89,370)	-	(536,672)
Disposals	2,932	2,463	-	11,668	-	17,063
Transfers	(145)	(98)	-	(12)	-	(255)
At 30 June 2005	(169,640)	(85,620)	(225,830)	(78,549)	-	(559,639)
At 31 December 2005	(234,495)	(294,589)	(295,366)	(155,224)	-	(979,674)
Depreciation charge	(130,863)	(228,638)	(157,594)	(50,230)	-	(567,325)
Disposals	1,408	-	18,946	10,229	-	30,583
Business disposals	45,049	29,686	101,650	6,665	-	183,050
Transfers	(9,072)	(58,911)	(8,107)	76,322	-	232
At 30 June 2006	(327,973)	(552,452)	(340,471)	(112,238)	-	(1,333,134)
Net book value						
At 1 January 2005	3,159,055	1,613,761	956,241	743,279	728,658	7,200,994
At 30 June 2005	3,013,647	2,083,652	1,006,220	721,359	757,900	7,582,778
At 31 December 2005	3,139,218	2,464,931	1,103,032	883,105	531,180	8,121,466
At 30 June 2006	3,460,002	2,841,902	904,521	369,007	777,266	8,352,698

'000 USD*	**Land and buildings**	**Machinery and equipment**	**Transportation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
At 1 January 2005	116,675	59,595	36,737	27,479	26,909	267,395
Additions	1,506	2,841	6,871	2,270	24,098	37,586
Disposals	(1,085)	(336)	-	(1,333)	(1,826)	(4,580)
Transfers	459	18,009	1,890	1,123	(21,191)	290
At 30 June 2005	117,555	80,109	45,498	29,539	27,990	300,691
At 31 December 2005	124,588	101,907	51,642	38,345	19,616	336,098
Acquisitions through business combinations	13,568	11,523	4,545	425	1,471	31,532
Additions	1,248	3,359	3,848	1,020	19,719	29,194
Disposals	(865)	(14)	(1,473)	(1,709)	(1,117)	(5,178)
Business disposals	(9,801)	(6,211)	(13,922)	(1,448)	(948)	(32,330)
Transfers	11,148	14,787	1,336	(18,861)	(10,038)	(1,628)
At 30 June 2006	139,886	125,351	45,976	17,772	28,703	357,688
Depreciation and impairment losses						
At 1 January 2005	(14)	-	(1,424)	(31)	-	(1,469)

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Depreciation charge	(6,354)	(3,249)	(6,915)	(3,300)	-	(19,818)
Disposals	108	91	-	431	-	630
Transfers	(5)	(4)			-	(9)
At 30 June 2005	(6,265)	(3,162)	(8,339)	(2,900)	-	(20,666)
At 31 December 2005	(8,660)	(10,879)	(10,908)	(5,732)	-	(36,179)
Depreciation charge	(4,833)	(8,443)	(5,820)	(1,855)	-	(20,951)
Disposals	52	-	700	378	-	1,130
Transfers	(335)	(2,176)	(299)	2,819	-	9
Business disposals	1,664	1,096	3,754	246	-	6,760
At 30 June 2006	(12,112)	(20,402)	(12,573)	(4,144)	-	(49,231)
Net book value						
At 1 January 2005	116,661	59,595	35,313	27,449	26,909	265,926
At 30 June 2005	111,290	76,947	37,159	26,639	27,989	280,024
At 31 December 2005	115,928	91,028	40,734	32,613	19,616	299,919
At 30 June 2006	127,774	104,949	33,403	13,628	28,703	308,457

(a) Determination of deemed cost

In 2005 management commissioned American Appraisal Inc. to independently appraise property, plant and equipment as at 1 January 2006 in order to determine its deemed cost.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Consequently the fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of the Russian and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc, and industry experts and suppliers of property, plant and equipment were contacted both in the Russian Federation and abroad.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of those values.

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on actual operating results and the five-year business plan.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

- Total production at the Group companies for which assessment of the reasonablness of values has been done was projected at RUR 22,456 million/USD* 829 million in the first year of the business plan. The anticipated annual production growth included in the cash flow projections was from 6% to 13% for each year since 2007 to 2011.
- Cash flows for further periods during which property plant and equipment is planned to be used were extrapolated assuming no further growth in production, and revenue and expenses increasing in line with inflation.
- Discount rates from 17.48% to 22.68% were applied in determining the recoverable amount of the plants. The discount rate was estimated based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external sources and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have decreased the depreciated replacement cost values by RUR 221 million/USD* 8 million.
- A 10% decrease in future planned production would have decreased depreciated replacement cost values by RUR 1,571 million/USD*58 million.

(b) Security

Properties with a carrying amount of RUR 2,543,001 thousand / USD* 93,911 thousand are subject to a registered debenture to secure bank loans (2005: RUR 2,384,823 thousand / USD* 88,069 thousand) (see note 21).

(c) Leased plant and machinery

The Group leased production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2006 the net book value of leased plant and machinery was RUR 1,088,642 thousand/ USD* 40,202 thousand (2005: RUR 1,276,380 thousand/ USD* 47,136 thousand). The leased equipment secures lease obligations.

13 Investment property under development

'000 RUR	**2006**	**2005**
Cost		
At 1 January	178,040	34,009
Costs capitalised	91,222	48,495
At 30 June	269,262	82,504

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

’000 USD*	**2006**	**2005**
Cost		
At 1 January	6,575	1,256
Costs capitalised	3,369	1,791
At 30 June	9,944	3,047

14 Investment property

’000 RUR	**2006**	**2005**
Cost		
At 1 January	-	-
Acquisitions through business combinations	1,038,834	-
At 30 June	1,038,834	-

’000 USD*	**2006**	**2005**
Cost		
At 1 January	-	-
Acquisitions through business combinations	38,363	-
At 30 June	38,363	-

Investment property comprises a number of commercial properties that are leased to third parties and a plot of land owned by the Group which is used for construction of commercial properties to be used for lease to third parties when construction is completed.

External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group’s investment property portfolio on a regular basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each knowledgeably, prudently and without compulsion.

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

* _The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d)._

15 Other investments

	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
Non-current				
Available-for-sale investments:				
Stated at cost	62,555	30,308	2,310	1,119
Originated loans	720	6,892	27	255
	63,275	37,200	2,337	1,374
Current				
Available-for-sale investments:				
Stated at fair value	60,021	14,636	2,217	541
Originated loans	1,360,953	560,032	50,258	20,681
	1,420,974	574,668	52,475	21,222

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

’000 RUR	Assets		Liabilities	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Property, plant and equipment	(42,243)	(12,578)	951,492	1,050,516
Investment property	-	-	249,234	-
Investments	(1,137)	(403)	4,251	6,649
Inventories	(194,344)	(220,560)	10,994	15,658
Trade and other receivables	(96,807)	(74,754)	4,739	22,940
Loans and borrowings	(132,280)	(223,410)	-	-
Provisions	(5,687)	(36,237)	-	-
Trade and other payables	(54,564)	(111,331)	7,636	22,593
Tax (assets)/liabilities	(527,062)	(679,273)	1,228,346	1,118,356
Set off of tax	343,794	374,892	(343,794)	(374,892)
Net tax (assets)/liabilities	(183,268)	(304,381)	884,552	743,464

’000 USD*	Assets		Liabilities	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Property, plant and equipment	(1,560)	(464)	35,138	38,795
Investment property	-	-	9,204	-
Investments	(42)	(15)	157	246
Inventories	(7,177)	(8,145)	406	578
Trade and other receivables	(3,575)	(2,761)	175	847
Loans and borrowings	(4,885)	(8,250)	-	-
Provisions	(210)	(1,338)	-	-
Trade and other payables	(2,015)	(4,111)	282	834
Tax (assets)/liabilities	(19,464)	(25,085)	45,362	41,300
Set off of tax	12,696	13,844	(12,696)	(13,844)
Net tax (assets)/liabilities	(6,768)	(11,241)	32,666	27,455

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(b) Movement in temporary differences during 6 months ended 30 June 2006

'000 RUR	1 January 2006	Recognised in income	Acquired	Disposed of	30 June 2006
Property, plant and equipment	1,037,938	(17,005)	(6,499)	(105,185)	909,249
Intangible assets	-	(29)	-	29	-
Investement property		(27)	249,261	-	249,234
Investments	6,246	(46,767)	(460)	44,095	3,114
Inventories	(204,902)	87,387	(73,980)	8,145	(183,350)
Trade and other receivables	(51,814)	(136,704)	-	96,450	(92,068)
Trade and other payables	(88,738)	5,573	-	36,237	(46,928)
Loans and borrowings	(223,410)	43,236	-	47,894	(132,280)
Provisions	(36,237)	36,237	(5,687)	-	(5,687)
	439,083	(28,099)	162,635	127,665	701,284

'000 USD*	1 January 2006	Recognised in income	Acquired	Disposed of	30 June 2006
Property, plant and equipment	38,331	(629)	(240)	(3,884)	33,578
Intangible assets	-	(1)	-	1	-
Investement property	-	(1)	9,205	-	9,204
Investments	231	(1,727)	(17)	1,628	115
Inventories	(7,567)	3,227	(2,732)	301	(6,771)
Trade and other receivables	(1,914)	(5,048)	-	3,562	(3,400)
Trade and other payables	(3,277)	206	-	1,338	(1,733)
Loans and borrowings	(8,250)	1,596	-	1,769	(4,885)
Provisions	(1,338)	1,338	(210)	-	(210)
	16,216	(1,039)	6,006	4,715	25,898

During 6 months ended 30 June 2005 RUR 135,722 thousand/USD* 5,012 thousand of the movement in the deferred tax asset and liability was recognized in the income statement.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

17 Inventories

	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
Work in progress, construction of buildings	5,627,965	4,855,737	207,835	179,319
Raw materials and consumables	1,247,836	1,123,408	46,081	41,486
Finished goods, construction of buildings	1,106,105	1,772,344	40,847	65,451
Finished goods and goods for resale	778,898	452,813	28,764	16,722
Work in progress	104,537	117,440	3,860	4,337
	8,865,341	8,321,742	327,387	307,315

Inventories with a carrying amount of RUR 291,015 thousand / USD* 10,747 thousand are subject to a registered debenture to secure bank loans (2005: RUR 81,437 thousand/ USD* 3,007 thousand) (see note 21). There were no write-down of inventories during 6 months ended 30 June 2006 and 6 months ended 30 June 2005.

18 Trade and other receivables

	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
Prepayments for flats	1,777,251	391,586	65,632	14,461
Accounts receivable – trade	1,402,530	989,959	51,794	36,558
Prepayments	1,425,915	920,229	52,658	33,983
Lease incentives	569,822	-	21,043	-
VAT receivable	535,692	546,692	19,783	20,189
Deferred expenses	230,352	117,246	8,507	4,330
Prepayments for shares	189,530	-	6,999	-
Notes receivable	126,526	102,929	4,672	3,801
Accounts due from customers for contract work	16,633	78,800	614	2,910
Employee receivables	54,726	40,043	2,021	1,479
Other receivables	319,145	618,333	11,786	22,834
	6,648,122	3,805,817	245,509	140,545

* _The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d)._

Provision for doubtful debtors	(25,612)	(144,436)	(946)	(5,333)
	6,622,510	3,661,381	244,563	135,212

19 Cash and cash equivalents

	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
Petty cash	98,302	42,104	3,630	1,555
Current accounts	716,339	658,671	26,456	24,324
Bank promissory notes	-	75,270	-	2,780
Cash and cash equivalents in the balance sheet	814,641	776,045	30,086	28,659
Bank overdrafts	(10,800)	(9,467)	(399)	(350)
Cash and cash equivalents in the statement of cash flows	803,841	766,578	29,687	28,309

20 Net assets attributable to shareholders

	Net assets attributable to shareholders	
	'000 RUR	'000 USD*
Balance at 1 January 2005	1,547,180	57,136
Net loss for the period attributable to shareholders of the Company	(246,425)	(9,100)
Shareholder contributions	187,091	6,909
Excess of minority interest acquired for entities under common control over consideration paid	673,263	24,863
Excess of consideration paid for entities under common control over minority interest acquired	(101,889)	(3,763)
Balance at 30 June 2005	2,059,220	76,045
Net profit for the period attributable to shareholders of the Company	256,988	9,490
Shareholder contributions	131,318	4,849
Excess of minority interest acquired for entities under common control over consideration paid	197,624	7,299
Excess of consideration paid for entities under common control over minority interest acquired	(96,486)	(3,563)
Shares issued	10,483	387

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Balance at 31 December 2005	2,559,147	94,507
Net profit for the period attributable to shareholders of the Company	454,177	16,772
Shareholder contributions	226,663	8,370
Excess of book values of net assets acquired for entities under common control over consideration paid	559,031	20,645
Excess of minority interest acquired for entities under common control over consideration paid	103,953	3,838
Excess of book values of net assets sold for entities under common control over consideration received	(234,370)	(8,655)
Excess of consideration received for entities under common control over book values of net assets sold	23,735	877
Excess of consideration received for entities under common control over book values of net assets sold from discontinued operations	333,714	12,324
Balance at 30 June 2006	4,026,050	148,678

21 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

	30 June 2006 '000 RUR	31 December 2005 '000 RUR	30 June 2006 '000 USD*	31 December 2005 '000 USD*
Non-current				
Secured bank loans	2,239,250	1,068,950	82,694	39,475
Unsecured other loans	1,810,174	6,626	66,849	245
Unsecured bond issue	50,709	-	1,872	-
Finance lease liability	315,804	424,983	11,662	15,694
	4,415,937	1,500,559	163,077	55,414
Current				
Secured bank loans	1,656,976	3,195,932	61,190	118,023
Current portion of secured bank loans	105,000	761,930	3,878	28,138
Current portion of unsecured other loans	-	15,065	-	556
Unsecured other loans	1,844,995	160,436	68,134	5,925
Unsecured bond issue	958,884	1,000,000	35,411	36,929
Current portion of finance lease liability	309,179	505,675	11,418	18,674

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

	4,875,034	5,639,038	180,031	208,245

Finance lease liabilities are payable as follows:

	30 June 2006 – ’000 RUR			31 December 2005 – ’000 RUR		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	389,033	79,854	309,179	592,255	86,580	505,675
Between one and five years	365,441	49,637	315,804	471,748	46,765	424,983
	754,474	129,491	624,983	1,064,003	133,345	930,658

	30 June 2006 – ’000 USD*			31 December 20065 – ’000 USD*		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	14,368	2,950	11,418	21,871	3,197	18,674
Between one and five years	13,494	1,832	11,662	17,421	1,727	15,694
	27,862	4,782	23,080	39,293	4,924	34,368

Bank loans are secured by the following:

- property, plant and equipment with a carrying amount of RUR 2,543,001 thousand / USD* 93,911 thousand (2005: RUR 2,384,823 thousand/ USD* 88,069 thousand). – see note 12(b).
- inventories with a carrying amount of RUR 291,015 thousand / USD* 10,747 thousand (2005: RUR 81,437 thousand / USD* 3,007 thousand) – see note 16(b).

The finance lease liabilities are secured by the leased assets (see note12(b)).

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

- 63.87% of ZAO GDSK;
- 100% of OAO Lenrechport;
- 35.55% of OAO Granit Kuznechnoe;
- 100% of OAO GATP-1;
- 98.16% of ZAO Pobeda LSR;
- 25 % of share capital of Aeroc Spb.

* _The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d)._

22 Provisions

'000 RUR	Site restoration	Environment restoration	Loss-making contracts	Provision for litigation	Total
Balance at 1 January 2006	76,627	-	212,080	31,039	319,746
Discontinued operations disposed of	-	-	(212,080)	-	(212,080)
Acquired in a business combination	-	23,683	-	-	23,683
Disposed of	(69,508)	-	-	(31,039)	(100,547)
Balance at 30 June 2006	7,119	23,683	-	-	30,802

'000 USD*	Site restoration	Environment restoration	Loss-making contracts	Provision for litigation	Total
Balance at 1 January 2006	2,830	-	7,832	1,146	11,808
Discontinued operations disposed of	-	-	(7,832)	-	(7,832)
Acquired in a business combination	-	875	-	-	875
Disposed of	(2,568)	-	-	(1,146)	(3,714)
Balance at 30 June 2006	262	875	-	-	1,137

(a) Loss-making contracts

The provision for loss-making contracts relates mainly to a range of contracts for the construction of roads.

(b) Site restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after construction of apartment buildings in St. Petersburg. The damage caused during construction is cleaned up after the construction of buildings is completed.

(c) Environment restoration

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(d) Provison for litigation

The Group has recognized a provision for litigation with one of the suppliers of the Group (see note 27(b)).

23 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to the shareholders of the Company divided by the number of ordinary shares issued in July 2006 when the Company re-registered as an OAO company (see note 30(b)).

24 Trade and other payables

	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Prepayments received for flats	10,041,919	7,142,552	370,839	263,772
Accounts payable – trade	1,113,224	1,364,072	41,110	50,374
Advances from customers	947,518	524,164	34,991	19,357
Notes payable	379,116	345,779	14,000	12,769
Employee-related liabilities	310,934	213,030	11,483	7,867
Other taxes payable	292,126	245,418	10,788	9,063
Minority interest in limited liability subsidiaries	122,439	38,341	4,522	1,416
Accounts due to customers for contract work	88,846	412,411	3,281	15,230
Interest payable	48,258	55,144	1,782	2,036
Deferred income	1,031	10,157	38	375
Dividends payable	97	101	4	4
Other payables	262,885	352,731	9,708	13,026
	13,608,393	10,703,900	502,546	395,289

25 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group’s business.

* _The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d)._

(a) Credit risk

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At the balance sheet date there was a significant concentration of credit risk in respect of loans given to NPO Rekonstruktciya and OOO Dorstroyproekt which are sister companies in amount of RUR 698,354 thousand/ USD* 25,790 thousand and loans given to another two unrelated companies in amount of RUR 382,572 thousand/ USD* 14,128 thousand.

(b) Interest rate risk

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

The following table shows the period in which interest-bearing financial assets and liabilities reprice.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

As at 30 June 2006	**Average interest rate**									
’000 RUR	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Assets										
Originated loans – RUR*	-	-	1,344,069	16,884	720	-	-	-	-	1,361,673
Liabilities										
Secured bank loans:										
RUR*	10.5%-14%	11.24%	(486,337)	(646,229)	(10,736)	-	(100,000)	(300,000)	-	(1,543,302)
USD*	11%-14.03%	10.3%	(125,131)	-	(230,565)	-	-	-	(318,178)	(673,874)
EUR*	7.5%-8.8%	8.86%	(190,565)	(208,714)	(226,729)	(454,368)	(1,836)	(745)	(394,230)	(1,477,187)
LVL*	3.80%-6.00%		-	-	(866)	(866)	(866)	(866)	(185,371)	(188,835)
EEK*	3.80%-6.00%		-	-	(259)	(6)	(6)	(6)	(12,751)	(13,028)
Current portion of secured long term loans:										
EUR*	7.5%-8.8%	8.86%	-	-	-	-	-	-	-	-
USD*	12%-12.5%	10.3%	-	-	-	-	-	-	-	-
RUR*	15.75%	11.24%	-	(105,000)	-	-	-	-	-	(105,000)
Unsecured other loans:										
RUR*	13%	13%	(1,389,773)	(330,000)	(1,000)	-	-	-	(1,004,809)	(2,725,582)
USD*			(125,222)	-	-	-	-	-	-	(125,222)
EUR*				-	-	(804,365)	-	-	-	(804,365)
Unsecured bond issues:										
RUR*	14%	14%	(291,561)	(667,323)	-	-	-	-	-	(958,884)
EUR*			-	-	(50,709)	-	-	-	-	(50,709)
Finance lease liabilities – RUR*	11%-35%	14.8%	(197,106)	(112,073)	(169,324)	(108,426)	(38,054)	-	-	(624,983)

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

			(1,461,626)	(2,052,455)	(689,468)	(1,368,031)	(140,762)	(301,617)	(1,915,339)	(7,929,298)

* Fixed rate

As at 31 December 2005

'000 RUR	**Average interest rate Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Assets										
Originated loans – RUR*	-	-	299,344	260,688	6,289	-	-	-	-	566,321
Liabilities										
Secured bank loans:										
RUR*	10.5%-14%	11.24%	(764,043)	(1,205,199)	(100,598)	-	-	-	-	(2,069,840)
USD*	11%-14.03%	10.3%	(1,226,690)	-	(227,504)	(46,948)	(57,782)	-	-	(1,558,924)
EUR*	7.5%-8.8%	8.86%	-	-	(257,681)	(287,880)	(87,382)	(3,175)	-	(636,118)
Current portion of secured long term loans:										
EUR*	7.5%-8.8%	8.86%	(24,484)	(215,049)	-	-	-	-	-	(239,533)
USD*	12%-12.5%	10.3%	-	(252,397)						(252,397)
RUR*	15.75%	11.24%	(270,000)	-	-	-	-	-	-	(270,000)
Current portion of unsecured other loans:										
RUR*	-	-	-	(15,065)	-	-	-	-	-	(15,065)
Unsecured other loans:										
RUR*	13%	13%	(13,502)	(146,934)	(6,626)	-	-	-	-	(167,062)
Unsecured bond issues:										

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

RUR*	14%	14%	(1,000,000)	-	-	-	-	-	-	(1,000,000)
Finance lease liabilities – RUR*	11%-35%	14.8%	(274,122)	(231,553)	(251,240)	(128,296)	(45,447)	-	-	(930,658)
			(3,273,497)	(1,805,509)	(837,360)	(463,124)	(190,611)	(3,175)	-	(6,573,276)

* Fixed rate

As at 30 June 2006	**Average interest rate**									
’000 USD*	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Assets										
Originated loans – RUR*	-	-	49,635	623	27	-	-	-	-	50,285
Liabilities										
Secured bank loans:										
RUR*	10.5%-14%	11.24%	(17,960)	(23,864)	(396)	-	(3,693)	(11,079)	-	(56,992)
USD*	11%-14.03%	10.3%	(4,621)	-	(8,515)	-	-	-	(11,751)	(24,887)
EUR*	7.5%-8.8%	8.86%	(7,037)	(7,708)	(8,373)	(16,779)	(68)	(28)	(14,557)	(54,550)
LVL*	3.80%-6.00%		-	-	(32)	(32)	(32)	(32)	(6,846)	(6,974)
EEK*	3.80%-6.00%		-	-	(10)	-	-	-	(471)	(481)
Current portion of secured long term loans:										
EUR*	7.5%-8.8%	8.86%	-	-	-	-	-	-	-	-
USD*	12%-12.5%	10.3%	-	-	-	-	-	-	-	-
RUR*	15.75%	11.24%	-	(3,878)	-	-	-	-	-	(3,878)

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Current portion of unsecured other loans:										
RUR*	-	-	-	-	-	-	-	-	-	-
Unsecured other loans:										
RUR*	13%	13%	(51,323)	(12,187)	(37)	-	-	-	(37,107)	(100,654)
USD*			(4,624)	-	-	-	-	-	-	(4,624)
EUR*			-	-	-	(29,705)	-	-	-	(29,705)
Unsecured bond issues:										
RUR*	14%	14%	(10,767)	(24,644)	-	-	-	-	-	(35,411)
EUR*			-	-	(1,872)	-	-	-	-	(1,872)
Finance lease liabilities – RUR*	11%-35%	14.8%	(7,279)	(4,139)	(6,253)	(4,004)	(1,405)	-	-	(23,080)
			(53,976)	(75,797)	(25,461)	(50,520)	(5,198)	(11,139)	(70,732)	(292,823)

* Fixed rate

As at 31 December 2005	**Average interest rate**									
'000 USD*	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Assets										
Originated loans – RUR*	-	-	11,058	9,627	232	-	-	-	-	20,917
Liabilities										
Secured bank loans:										
RUR*	10.5%-14%	11.24%	(28,215)	(44,507)	(3,715)	-	-	-	-	(76,437)
USD*	11%-14.03%	10.3%	(45,301)	-	(8,401)	(1,734)	(2,134)	-	-	(57,570)

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

EUR*	7.5%-8.8%	8.86%	-	-	(9,516)	(10,631)	(3,227)	(117)	-	(23,491)
Current portion of secured long term loans:										
EUR*	7.5%-8.8%	8.86%	(904)	(7,942)	-	-	-	-	-	(8,846)
USD*	12%-12.5%	10.3%	-	(9,321)	-	-	-	-	-	(9,321)
RUR*	15.75%	11.24%	(9,971)	-	-	-	-	-	-	(9,971)
Current portion of unsecured other loans:										
RUR*	-	-	-	(556)	-	-	-	-	-	(556)
Unsecured other loans:										
RUR*	13%	13%	(499)	(5,426)	(245)	-	-	-	-	(6,170)
Unsecured bond issues:										
RUR*	14%	14%	(36,929)	-	-	-	-	-	-	(36,929)
Finance lease liabilities – RUR*	11%-35%	14.8%	(10,123)	(8,551)	(9,278)	(4,738)	(1,678)	-	-	(34,368)
			(120,884)	(66,676)	(30,923)	(17,103)	(7,039)	(117)	-	(242,742)

* Fixed rate

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(c) Foreign currency risk

The Group incurs foreign currency risk on borrowings that are denominated in a currency other than RUR. The currencies giving rise to this risk are primarily USD and Euro. Management does not hedge the Group's exposure to foreign currency risk.

The following exchange rates applied:

	USD	Euro	USD	Euro
	30 June 2006	30 June 2006	31 December 2005	31 December 2005
RUR 1 equals	0.03693	0.02943	0.03474	0.02925

(d) Fair values

The fair value of unquoted equity investments is discussed in note 14. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts:

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

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

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

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

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

26 Commitments

At 30 June 2006, the Group was committed to purchase property, plant and equipment for approximately RUR 897,813 thousand / USD* 33,155 thousand (31 December 2005: RUR 72,531 thousand / USD* 2,679 thousand)

27 Contingencies

(a) Insurance

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

As at 31 December 2005 the Group was involved in a dispute relating to a promissory note of an insolvent third party which was endorsed by the Group in 2003. The holder of the promissory note successfully sued the Group on the endorsement. The Group recognized a provision for the amount of the claim of USD 1,080 thousand. During 6 months ended 30 June 2006 the Group has sold controlling stake in the company that was sued to a related party.

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

(c) Taxation contingencies

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

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

(d) Environmental liabilities

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

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

restoration. It is planned that quarrying will be completed for the currently used three areas in the years 2157, 2154 and 2051 respectively.

28 Related party transactions

(a) Control relationships

The Company is controlled by Mr. Molchanov. In addition, the Group has a controlling relationship with all of its subsidiaries (see note 29 for a list of significant subsidiaries).

(b) Transactions with management and close family members

The Directors, and their close family members control 21.6% of the voting shares of the Company.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 9):

	Six months ended 30 June			
	2006	**2005**	**2006**	**2005**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Salaries and bonuses	99,755	9,593	3,684	354

(ii) Other transactions

Loans to executive directors amounting to RUR 8,850 thousand / USD* 327 thousand are included in “employee receivables”(31 December 2005: RUR 9,030 thousand / USD* 314 thousand) (see note 18). No interest is payable on these loans. The loans are expected to be repaid within 4 years.

(c) Transactions with other related parties

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(i) Revenue

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2006	30 June 2005	30 June 2006	31 December 2005	30 June 2006	30 June 2005	30 June 2006	31 December 2005
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 USD*	'000 USD*	'000 USD*	'000 USD*
Sale of goods and services provided:								
Other	157,277	17,788	38,783	27,778	5,808	657	1,432	1,026
Fellow subsidiaries	115,157	182,697	8,576	8,112	4,252	6,747	316	299
	272,434	200,485	47,359	35,890	10,060	7,404	1,748	1,325

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

(ii) Expenses

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2006	30 June 2005	30 June 2006	31 December 2005	30 June 2006	30 June 2005	30 June 2006	31 December 2005
	'000 RUR	'000 RUR	'000 RUR	'000 RUR	'000 USD*	'000 USD*	'000 USD*	'000 USD*
Purchase of goods and services:								
Other	86,199	173,927	21,009	45,415	3,183	6,423	775	1,677
Fellow subsidiaries	694,303	951,036	7,236	-	25,640	35,121	267	-
	780,502	1,124,963	28,245	45,415	28,823	41,544	1,042	1,677

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

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

(iii) Loans

	Transaction value six months ended		Outstanding balance		Transaction value six months ended		Outstanding balance	
	30 June 2006	30 June 2005	30 June 2006	31 December 2005	30 June 2006	30 June 2005	30 June 2006	31 December 2005
	’000 RUR	’000 RUR	’000 RUR	’000 RUR	’000 USD*	’000 USD*	’000 USD*	’000 USD*
Loans received:								
Fellow subsidiaries	297,272	6,036	75,404	49,225	10,978	223	2,784	1,818
Other	275,851	20,305	67,997	76,698	10,186	750	2,511	2,832
Loans given:								
Fellow subsidiaries	371,028	49,359	269,823	445,130	13,701	1,823	9,964	16,438
Other	565,661	-	565,661	15,476	20,889	-	20,889	572
	1,509,812	75,700	978,885	586,529	55,754	2,796	36,148	21,660

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

The loans to fellow subsidiaries and entities under significant influence bear no interest and are repayable based on contractual terms.

29 Significant subsidiaries

	Country of incorporation	Ownership/voting 30-Jun 2006	Ownership/voting 31-Dec 2005
ZAO Gatchinsky DSK	Russia	98.23%	98.23%
OAO SKV SPb	Russia	71.98%	71.98%
OOO Gatchinsky DSK	Russia	100.00%	100.00%
OAO Lenstroirekonstruktsiya	Russia	99.99%	99.99%
ZAO NPO Keramika	Russia	-	75.83%
OAO Lenstroikeramika	Russia	-	87.28%
OAO Granit-Kuznechnoye	Russia	95.09%	83.98%
OAO Rudas	Russia	86.55%	86.55%
OAO Leningradsky rechnoy port	Russia	100.00%	100.00%

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

ZAO Skanmix SPb	Russia	100.00%	100.00%
ZAO Vertikal	Russia	100.00%	100.00%
OAO PO Barrikada (formerly ZAO PO Barrkkada)	Russia	95.35%	88.87%
ZAO DSK Blok	Russia	100.00%	100.00%
OAO UM-260 (formerly ZAO UM-260)	Russia	97.11%	94.11%
OAO SPb rechnoy port	Russia	100.00%	100.00%
OAO Obyedineniye 45	Russia	96.92%	92.07%
ZAO Mosstroirekonstruktsiya	Russia	100.00%	100.00%
OAO GATP-1	Russia	74.62%	74.62%
OAO Pobeda LSR (formerly ZAO Pobeda LSR)	Russia	99.86%	99.86%
OOO PSF Dorstroiproekt	Russia	-	100.00%
OOO Aerok Sankt-Peterburg	Russia	100.00%	100.00%
OOO Osobnyak	Russia	100.00%	100.00%
OOO Kvartira LuxServis	Russia	100.00%	100.00%
ZAO Stroitrest 28	Russia	89.63%	89.63%
OOO Stroitrest 28	Russia	50.00%	50.00%
ZAO GSK Petrostroyinvest	Russia	100.00%	100.00%
OOO Torgoviy dom Granit-Kuznechnoye	Russia	100.00%	100.00%
ZAO GATP Blok	Russia	-	100.00%
ZAO Paradny kvartal (Naberezhnaya Evropy)	Russia	100.00%	100.00%
OOO Upravlyayushchaya kompaniya	Russia	-	100.00%
OOO Paradny kvartal	Russia	-	100.00%
OOO Nevsky portal	Russia	100.00%	100.00%
OOO Novy kvartal	Russia	100.00%	100.00%
OOO Nisk	Russia	74.00%	74.00%
OOO LSK-ecologiya	Russia	50.00%	100.00%
OOO OP Agis	Russia	-	100.00%

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

OOO Promichlenno Stroitelnaya Gruppa LSR	Russia	90.00%	90.00%
ZAO Promyshlenny leasing (formerly OOO Promyshlenny leasing)	Russia	100.00%	100.00%
PT Aerok	Russia	26.70%	100.00%
OOO Martynovka*	Russia	100.00%	50.00%
ZAO Chekalovskoye	Russia	-	90.83%
OAO Stroydetal	Russia	-	94.79%
OOO Sevzapmostostroy	Russia	-	100.00%
ZAO Nazievsky kombinat	Russia	96.90%	98.67%
ZAO Vyborgstroyrekonsruktsiya*	Russia	80.00%	-
OOO Yuna*	Russia	100.00%	-
DNP Alakul*	Russia	-	-
DNP Penaty 2*	Russia	-	-
DNP Severnoye pomestye*	Russia	-	-
GDSK Invest companies*	Russia	20.00%	-
MSR companies*	Russia	-	-
OAO Zavod Zhelezobetonnich Izdeliy-6	Russia	57.70%	-
OOO Cement	Russia	100.00%	-
ZAO Galernaya (formerly OOO Galernaya)	Russia	100.00%	-
OOO GDSK Yugo-Zapad (formerly OOO GDSK-invest-35	Russia	100.00%	-
OOO GDSK-invest Primorsky (formerly OOO GDSK-invest-49)	Russia	100.00%	-
OOO Zarechye	Russia	100.00%	-
OOO LSSMO Promstroymontazh	Russia	100.00%	-
OOO Smolny kvartal	Russia	100.00%	-
ZAO Severnaya Venecia	Russia	100.00%	-
ZAO Vsevolozhskoye SMP	Russia	100.00%	-
OOO Yakornaya	Russia	99.00%	-
OOO Baltstroykomplekt	Russia	100.00%	-

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*

Aerok International	Russia	74.40%	-
Obyedineniye 45M	Russia	100.00%	-
SKV-invests*	Russia	-	-
OOO LSR-invest	Russia	100.00%	-
ZAO Chifko Plus	Russia	100.00%	-

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

30 Events subsequent to the balance sheet date

(a) Acquisition of subsidiaries

Subsequent to 30 June 2006, the Group has entered into contracts to buy for cash controlling shares in OAO MTO Archproect from unrelated parties and controlling shares in OOO Zolotaya Kazanskaya and OAO Stroikorporacia from related parties.

(b) Re-registration of the Company from OOO to OAO

In July 2006 the Company changed its legal form from limited liability company to open joint stock company as defined in the Civil Code of the Russian Federation. As a result, share capital has been converted into 85,148,936 ordinary shares with a nominal value 0.25 roubles each. The nominal value of registered share capital equalled RUR 21,287 thousand.

* *The USD equivalent figures are provided for information purposes only and do not form part of the reviewed financial statements – refer note 2(d).*