OJSC LSR Group

Consolidated Interim Financial Statements
for the six month period ended
30 June 2011

Contents

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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

Board of Directors

OJSC LSR Group

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of OJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2011, and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the interim financial position of the Group as at 30 June 2011, and its interim financial performance and its interim cash flows for the six month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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20 September 2011

		Six months ended 30 June			
		2011	**2010**	**2011**	**2010**
	Note	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**
Revenue		22,963,555	17,716,709	802,243	589,229
Cost of sales		(17,172,565)	(13,035,116)	(599,932)	(433,527)
Gross profit		5,790,990	4,681,593	202,311	155,702
Distribution expenses		(1,203,638)	(1,039,697)	(42,049)	(34,579)
Administrative expenses	7	(2,409,015)	(1,909,747)	(84,161)	(63,515)
Other income	8	507,209	21,908	17,719	729
Other expenses	8	(269)	(25,146)	(9)	(836)
Results from operating activities		2,685,277	1,728,911	93,811	57,501
Finance income	10	573,349	873,751	20,031	29,060
Finance costs	10	(1,948,666)	(3,045,146)	(68,078)	(101,277)
Profit/(loss) before income tax		1,309,960	(442,484)	45,764	(14,716)
Income tax expense	11	(642,268)	(170,094)	(22,438)	(5,657)
Profit/(loss) for the period		667,692	(612,578)	23,326	(20,373)
Other comprehensive income/ (loss)					
Foreign currency translation differences for foreign operations		38,312	(62,251)	149,910	(55,455)
Total comprehensive income/ (loss) for the period		706,004	(674,829)	173,236	(75,828)

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 4 to 107.

		Six months ended 30 June			
		2011	**2010**	**2011**	**2010**
	Note	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**
Profit/(loss) attributable to:					
Shareholders of the Company		715,095	(573,004)	24,982	(19,057)
Non-controlling interest		(47,403)	(39,574)	(1,656)	(1,316)
Profit/(loss) for the period		667,692	(612,578)	23,326	(20,373)
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		753,407	(635,255)	174,892	(74,512)
Non-controlling interest		(47,403)	(39,574)	(1,656)	(1,316)
Total comprehensive income/(loss) for the period		706,004	(674,829)	173,236	(75,828)
Basic and diluted profit / (loss) per share	24	6.94	(5.95)	0.24	(0.20)
Ordinary shares		RUB	RUB	USD	USD

These consolidated interim financial statements were approved by management on 20 September 2011 and were signed on its behalf by:

A.I. Vakhmistrov
Chief Executive Officer

D.V. Kutuzov
Chief Financial Officer

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 14 to 107.

	Note	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	34,353,483	32,851,639	1,223,598	1,077,919
Intangible assets	14	4,680,761	4,567,223	166,719	149,858
Investment property under development	15	401,812	319,381	14,311	10,479
Investment property	16	2,308,258	2,308,258	82,215	75,738
Other investments	17	563,428	34,809	20,068	1,142
Deferred tax assets	18	1,475,678	1,501,991	52,561	49,283
Trade and other receivables	20	747,287	808,687	26,617	26,534
Restricted cash	22	9	11	-	-
Total non-current assets		44,530,716	42,391,999	1,586,089	1,390,953
Current assets					
Other investments	17	182,747	152,290	6,509	4,997
Inventories	19	51,853,538	52,821,493	1,846,913	1,733,165
Income tax receivable		128,431	178,139	4,574	5,845
Trade and other receivables	20	14,692,282	9,112,124	523,307	298,985
Cash and cash equivalents	21	1,531,141	1,327,139	54,536	43,546
Restricted cash	22	316,230	191,665	11,263	6,289
Assets classified as held for sale		-	44,831	-	1,471
Total current assets		68,704,369	63,827,681	2,447,102	2,094,298
Total assets		113,235,085	106,219,680	4,033,191	3,485,251

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 6 to 107.

	Note	30 June 2011 ’000 RUB	31 December 2010 ’000 RUB	30 June 2011 ’000 USD	31 December 2010 ’000 USD
EQUITY AND LIABILITIES					
Equity	23				
Share capital		34,577	34,577	1,241	1,241
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid in capital		16,849,512	16,798,659	650,362	648,585
Foreign currency translation reserve		24,935	(13,377)	(43,694)	(193,604)
Retained earnings		8,806,054	9,715,541	285,522	317,296
Total equity attributable to shareholders of the Company		52,123,464	52,943,786	1,853,418	1,733,505
Non-controlling interest		204,953	199,770	10,408	10,227
Total equity		52,328,417	53,143,556	1,863,826	1,743,732
Non-current liabilities					
Loans and borrowings	25	32,547,835	27,714,483	1,159,285	909,360
Deferred tax liabilities	18	1,662,194	1,679,612	59,202	55,111
Trade and other payables	27	178,479	194,261	6,358	6,374
Provisions	26	5,184	4,975	184	163
Total non-current liabilities		34,393,692	29,593,331	1,225,029	971,008
Current liabilities					
Loans and borrowings	25	3,329,224	3,988,571	118,579	130,872
Income tax payable		162,464	145,306	5,787	4,768
Trade and other payables	27	22,677,589	18,782,036	807,728	616,271
Provisions	26	343,699	566,880	12,242	18,600
Total current liabilities		26,512,976	23,482,793	944,336	770,511
Total liabilities		60,906,668	53,076,124	2,169,365	1,741,519
Total equity and liabilities		113, 235,085	106,219,680	4,033,191	3,485,251

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 7 to 107.

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
Profit / (loss) for the period	667,692	(612,578)	23,326	(20,373)
Adjustments for:				
Depreciation and amortisation	1,149,157	1,194,416	40,146	39,724
(Gain) / (loss) on disposal of property, plant and equipment	(234,708)	25,146	(8,200)	836
Gain on disposal of other assets	(11,424)	(21,054)	(399)	(700)
Gain on acquisitions of subsidiaries	(149,060)	-	(5,207)	-
Gain on disposal of subsidiaries	(111,467)	(854)	(3,894)	(29)
Net finance costs	1,375,317	2,171,395	48,047	72,217
Income tax expense	642,268	170,094	22,438	5,657
Operating profit before changes in working capital and provisions	3,327,775	2,926,565	116,257	97,332
Increase/(decrease) in inventories	1,088,949	(1,067,220)	38,043	(35,494)
Increase in trade and other receivables	(5,419,809)	(542,447)	(189,344)	(18,041)
Decrease / (increase) in trade and other payables	2,945,470	(472,101)	102,901	(15,701)
Decrease in provisions	(222,972)	(254,755)	(7,790)	(8,473)
Cash flows from operations before income taxes and interest paid	1,719,413	590,042	60,067	19,623
Income taxes paid	(414,830)	(941,451)	(14,492)	(31,311)
Interest paid	(1,414,973)	(1,934,103)	(49,433)	(64,325)
Cash flows utilised by operating activities	(110,390)	(2,285,512)	(3,858)	(76,013)

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 8 to 107.

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	450,438	94,288	15,736	3,136
Interest received	18,837	36,328	658	1,208
Acquisition of property, plant and equipment	(1,507,799)	(1,696,432)	(52,676)	(56,421)
(Increase) / decrease in restricted cash	(124,563)	134,997	(4,352)	4,490
Acquisition of intangible assets	(34,746)	(293,315)	(1,214)	(9,755)
Acquisition of investment property and investment property under development	(82,431)	(32,977)	(2,880)	(1,096)
Loans given	(59,170)	(73,864)	(2,067)	(2,457)
Loans repaid	42,437	98,462	1,483	3,275
Disposal of subsidiaries, net of cash disposed (note 6)	1,421	-	50	-
Acquisition of subsidiaries, net of cash acquired	(1,032,511)	-	(36,071)	-
Proceeds from disposal of assets and liabilities classified as held for sale	44,831	29,531	1,566	982
Purchase of other investments	(24,293)	(4,074,933)	(849)	(135,526)
Cash flows utilised by investing activities	(2,307,549)	(5,777,915)	(80,616)	(192,164)
FINANCING ACTIVITIES				
Proceeds from borrowings	5,969,812	14,226,954	208,558	473,166
Proceeds from bonds	2,427,232	4,264,649	84,797	141,835
Repayment of borrowings	(3,447,858)	(19,160,113)	(120,453)	(637,235)
Repayment of bonds	(468,812)	(1,972,759)	(16,378)	(65,611)
Acquisition of non-controlling interest	(20,269)	(28)	(708)	(1)
Payment of finance lease liabilities	(277,099)	(418,293)	(9,681)	(13,912)
Dividends payment	(1,624,582)	-	(56,756)	-
Proceeds from secondary public offering	-	11,891,828	-	395,504
Cash flows from financing activities	2,558,424	8,832,238	89,379	293,746
Net increase in cash and cash equivalents	140,485	768,811	4,905	25,569
Cash and cash equivalents at the beginning of the period	1,327,139	2,895,550	43,546	95,739
Effect of exchange rate fluctuations on cash and cash equivalents	63,517	(6,560)	6,085	(4,053)
Cash and cash equivalents at the end of the period (note 21)	1,531,141	3,657,801	54,536	117,255

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 107.

'000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	32,235	14,562,700	16,796,271	35,829	7,945,398	39,372,433	248,659	39,621,092
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(573,004)	(573,004)	(39,574)	(612,578)
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	(62,251)	-	(62,251)	-	(62,251)
Total comprehensive income for the period	-	-	-	(62,251)	(573,004)	(635,255)	(39,574)	(674,829)
Transactions with owners recorded directly in equity								
Share issued	-	-	11,853,082	-	-	11,853,082	-	11,853,082
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	25	-	-	25	(53)	(28)
Adjustment to non-controlling interest	-	-	(41,286)	-	-	(41,286)	41,286	-
Dividends to shareholders	-	-	-	-	(106)	(106)	-	(106)
Balance at 30 June 2010	32,235	14,562,700	28,608,092	(26,422)	7,372,288	50,548,893	250,318	50,799,211

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 10 to 107.

’000 RUB	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	34,577	26,408,386	16,798,659	(13,377)	9,715,541	52,943,786	199,770	53,143,556
Total comprehensive income for the period								
Profit for the period	-	-	-	-	715,095	715,095	(47,403)	667,692
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	38,312	-	38,312	-	38,312
Total comprehensive income for the period	-	-	-	38,312	715,095	753,407	(47,403)	706,004
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	-	-	-	-	123,708	123,708
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	51,349	-	-	51,349	(71,489)	(20,140)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	(496)	-	-	(496)	367	(129)
Dividends to shareholders	-	-	-	-	(1,624,582)	(1,624,582)	-	(1,624,582)
Balance at 30 June 2011	34,577	26,408,386	16,849,512	24,935	8,806,054	52,123,464	204,953	52,328,417

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 11 to 107.

’000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	1,164	569,931	648,506	(180,407)	259,008	1,298,202	11,837	1,310,039
Total comprehensive income for the period								
Loss for the period		-	-	-	(19,057)	(19,057)	(1,316)	(20,373)
Other comprehensive income								
Foreign currency translation differences for foreign operations		-	-	(55,455)	-	(55,455)	-	(55,455)
Total comprehensive income for the period	-	-	-	(55,455)	(19,057)	(74,512)	(1,316)	(75,828)
Transactions with owners recorded directly in equity								
Share issued		-	394,214	-	-	394,214	-	394,214
Excess of non-controlling interest acquired for entities under common control over consideration paid		-	1	-	-	1	(2)	(1)
Adjustment to non-controlling interest		-	(1,373)	-	-	(1,373)	1,373	-
Dividends to shareholders		-	-	-	(4)	(4)	-	(4)
Balance at 30 June 2010	1,164	569,931	1,041,348	(235,862)	239,947	1,616,528	11,892	1,628,420

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 12 to 107.

'000 USD	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	1,241	959,987	648,585	(193,604)	317,296	1,733,505	10,227	1,743,732
Total comprehensive income for the period								
Profit for the period	-	-	-	-	24,982	24,982	(1,656)	23,326
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	149,910	-	149,910	-	149,910
Total comprehensive income for the period				149,910	24,982	174,892	(1,656)	173,236
Transactions with owners recorded directly in equity								
Acquisition of subsidiaries	-	-	-	-	-	-	4,322	4,322
Excess of non-controlling interest acquired for entities under common control over consideration paid	-	-	1,794	-	-	1,794	(2,498)	(704)
Excess of consideration paid over non-controlling interest acquired for entities under common control	-	-	(17)	-	-	(17)	13	(4)
Dividends to shareholders	-	-	-	-	(56,756)	(56,756)	-	(56,756)
Balance at 30 June 2011	1,241	959,987	650,362	(43,694)	285,522	1,853,418	10,408	1,863,826

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 107.

1 Background

(a) Organisation and operations

OJSC LSR Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian limited liability and open and closed joint stock companies as defined in the Civil Code of the Russian Federation, and companies located in other countries. The Company's shares are traded on the London Stock Exchange and Moscow Interbank Currency Exchange.

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

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

The Group's significant subsidiaries are detailed in note 33.

The Group is ultimately controlled by a single individual, Mr. A. Molchanov. Related party transactions are detailed in note 32.

(b) Russian business environment

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

2 Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

(b) Basis of measurement

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

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

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian

Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated interim financial statements are presented. These consolidated interim financial statements are also presented in United States Dollars ("USD") since the management believes that this currency is useful for the users of the consolidated financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

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

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

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

- Note 12 - revenue recognition;
- Note 13 - useful lives of property, plant and equipment;
- Note 14 - impairment;
- Notes 15 and 16 - determination of fair values of investment properties and investment properties under development;
- Note 20 - allowances for trade receivables;
- Note 26 - warranty provision, provision for site restoration and environment restoration; and
- Note 31 - contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all period, presented in these consolidated interim financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Special purpose entities

The Group has established a number of special purpose entities ("SPE"s) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) Disposals to entities under common control

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

(v) Acquisitions and disposals of non-controlling interests

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

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or a contribution from, shareholders.

(vi) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in foreign currency translated at the exchange rate at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of comprehensive income as part of profit or loss on disposal.

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

(iii) Translation to presentation currency

The assets and liabilities of Group enterprises are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at rates approximating exchange rates at the dates of the transactions. Translation differences are recognised directly in other comprehensive income as the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Other

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iv) Depreciation

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

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Intangible assets

(i) Goodwill

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

Acquisitions prior to 1 January 2005

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2005. The Group did not prepare consolidated financial statements under Russian GAAP. In respect of acquisitions prior to 1 January 2005, goodwill therefore represents the difference between the Company's interest in a subsidiary's net identifiable assets on the date of transition and the cost of that interest.

Acquisitions between 1 January 2005 and 1 January 2010

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

Acquisitions after 1 January 2010

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

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

(v) Amortisation

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

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefit s embodied in the asset.

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

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

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

Investment property under development consists of two components: land and buildings. Land and buildings are measured at fair value with any change therein recognised in the statement of comprehensive income.

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

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(p) (iii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

(l) Impairment

(i) Financial assets

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

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

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

(m) Non-current assets held for sale

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

(n) Employee benefits

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

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

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

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

(ii) Site restoration

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

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from the sale of flats is recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities.

(ii) Services

Revenue from services, rendered by the “Construction” operating segment, is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create as asset related to future contract activity.

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

(iv) Rental income

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

(q) Other expenses

(i) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

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

(r) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

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

(s) Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Segment reporting

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

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2011, and have not been applied in preparing this consolidated interim financial statement. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the second half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IAS 24 (2010) *Related Party Disclosures* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011.
- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The amended standard will become effective for annual periods beginning on or after 1 January 2013. Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.
- Amendment to IAS 12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces an exception to the current measurement principles for deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with IAS 40 *Investment Property*. The exception also applies to investment property acquired in a business combination accounted for in accordance with IFRS 3 *Business Combinations* provided the acquirer subsequently measures the assets using the fair value model. In these specified circumstances the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely by sale unless the asset is depreciated or the business model is to consume substantially all the asset. The amendment is effective for periods beginning on or after 1 January 2012 and is applied retrospectively.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of International Financial Reporting Standards IAS 39 *Financial Instruments: Recognition and Measurement.* Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010.
- Various *Improvements to IFRSs have bee*n dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlie*r than 1 January 2011. The Gro*up has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Investment property and investment property under development

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

(c) Intangible assets

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

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

(d) Inventories

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

(e) Investments in equity and debt securities

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

(f) Trade and other receivables

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

(g) Non-derivative financial liabilities

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

5 Operating segments

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

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

(a) Operating segments

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

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

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

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

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

Construction. Construction business units specialize in panel construction.

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

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

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

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

(b) Geographical information

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

(c) Major customer

Revenues from one customer of the Group's Construction operating segment represents approximately RUB 1,309,456 thousand / USD 45,746 thousand (six months ended 30 June 2010: RUB 2,652,848 thousand / USD 88,229 thousand) of the Group's total revenues.

(i) Operating segments

Six months ended 30 June 2011 ’000 RUB	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	8,638,018	81,871	6,146,224	1,312,496	4,959,760	814,522	2,087	21,954,978
Inter-segment revenue	21,162	-	566,345	391,951	849,629	200,545	-	2,029,632
Total segment revenue	8,659,180	81,871	6,712,569	1,704,447	5,809,389	1,015,067	2,087	23,984,610
Segment result	2,015,300	38,291	54,476	410,789	344,991	77,283	-	2,941,130
Depreciation/amortisation	18,884	492	387,251	256,613	293,552	143,289	49,076	1,149,157
Capital expenditure	101,728	-	1,032,272	317,932	157,146	38,830	36,651	1,684,559

Six months ended 30 June 2010 ’000 RUB	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	5,961,628	70,924	4,136,193	1,153,426	5,158,535	507,109	9,390	16,997,205
Inter-segment revenue	25,406	-	567,949	259,290	355,954	181,317	-	1,389,916
Total segment revenue	5,987,034	70,924	4,704,142	1,412,716	5,514,489	688,426	9,390	18,387,121
Segment result	1,637,581	13,639	(501,916)	66,801	862,854	11,904	-	2,090,863
Depreciation/amortisation	15,646	562	442,239	235,361	300,842	145,945	53,821	1,194,416
Capital expenditure	33,773	1,282	1,316,599	312,682	127,352	5,844	21,290	1,818,822

Six months ended 30 June 2011 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	301,773	2,860	214,721	45,853	173,272	28,456	73	767,008
Inter-segment revenue	739	-	19,786	13,693	29,682	7,006	-	70,906
Total revenue	302,512	2,860	234,507	59,546	202,954	35,462	73	837,914
Segment result	70,405	1,338	1,903	14,351	12,052	2,700	-	102,749
Depreciation/amortisation	660	17	13,529	8,965	10,255	5,006	1,714	40,146
Capital expenditure	3,554	-	36,062	11,107	5,490	1,357	1,280	58,850

Six months ended 30 June 2010 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Revenue from external customers	198,274	2,359	137,563	38,361	171,565	16,866	312	565,300
Inter-segment revenue	845	-	18,889	8,624	11,838	6,030	-	46,226
Total revenue	199,119	2,359	156,452	46,985	183,403	22,896	312	611,526
Segment result	54,463	454	(16,693)	2,222	28,697	396	-	69,539
Depreciation/amortisation	520	19	14,708	7,828	10,006	4,854	1,789	39,724
Capital expenditure	1,124	43	43,788	10,399	4,236	194	708	60,492

At the end of 30 June 2011 ’000 RUB	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	67,217,518	2,549,402	30,611,559	5,824,224	10,812,072	2,738,057	-	119,752,832
Segment liabilities	15,273,743	43,672	5,407,350	962,342	4,848,717	401,059	-	26,936,883

Year ended 31 December 2010 ’000 RUB	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	65,863,486	2,553,306	26,946,940	5,256,703	6,764,953	2,833,860	-	110,219,248
Segment liabilities	14,999,577	51, 829	4,014,967	707,115	2,470,458	404,239	-	22,648,185

At the end of 30 June 2011 ’000 USD	**Real estate development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	2,394,144	90,804	1,090,318	207,446	385,103	97,524	-	4,265,339
Segment liabilities	544,018	1,556	192,598	34,277	172,701	14,285	-	959,435

Year ended 31 December 2010 ’000 USD	**Real Estate Development**	**Commercial real estate**	**Building materials**	**Aggregates**	**Construction**	**Construction services**	**Other entities**	**Total**
Segment assets	2,161,095	83,778	884,176	172,482	221,970	92,984	-	3,616,485
Segment liabilities	492,162	1,701	131,738	23,202	81,060	13,264	-	743,127

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

Revenue	’000 RUB		’000 USD	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue for reportable segments	23,984,610	18,387,121	837,914	611,526
Other revenue	175,733	122,532	6,139	4,075
Transportation revenue	832,844	596,972	29,096	19,854
Elimination of intersegment revenue	(2,029,632)	(1,389,916)	(70,906)	(46,226)
Consolidated revenue	**22,963,555**	**17,716,709**	**802,243**	**589,229**

Profit/(loss) for the period	’000 RUB		’000 USD	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total segment result	2,941,130	2,090,863	102,749	69,539
Other result	327,705	77,507	11,449	2,578
Unallocated expenses and income, net	(583,558)	(439,459)	(20,387)	(14,616)
Finance income	573,349	873,751	20,031	29,060
Finance costs	(1,948,666)	(3,045,146)	(68,078)	(101,277)
Income tax expense	(642,268)	(170,094)	(22,438)	(5,657)
Profit/(loss) for the period	**667,692**	**(612,578)**	**23,326**	**(20,373)**

Assets	’000 RUB		’000 USD	
	At the end of 30 June 2011	Year ended 31 December 2010	At the end of 30 June 2011	Year ended 31 December 2010
Total assets for reportable segments	119,752,832	110,219,248	4,265,339	3,616,485
Elimination of intersegment assets	(14,175,252)	(11,554,930)	(504,892)	(379,139)
Unallocated assets	7,657,505	7,555,362	272,744	247,905
Total assets	**113,235,085**	**106,219,680**	**4,033,191**	**3,485,251**

Liabilities	**’000 RUB**		**’000 USD**	
	At the end of 30 June 2011	**Year ended 31 December 2010**	**At the end of 30 June 2011**	**Year ended 31 December 2010**
Total liabilities for reportable segments	26,936,883	22,648,185	959,435	743,127
Elimination of intersegment liabilities	(4,830,747)	(3,401,053)	(172,062)	(111,596)
Unallocated liabilities	38,800,532	33,828,992	1,381,992	1,109,988
Total liabilities	**60,906,668**	**53,076,124**	**2,169,365**	**1,741,519**

Other material items	**’000 RUB**		**’000 USD**	
	Six months ended 30 June 2011	**Six months ended 30 June 2010**	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Capital expenditure	1,684,559	1,818,822	58,850	60,492
Elimination of intersegment purchases	-	(1)	-	-
Consolidated capital expenditure	**1,684,559**	**1,818,821**	**58,850**	**60,492**

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the six months ended 30 June 2011 the Group has acquired 3 subsidiaries. In April 2011 one of the Group subsidiaries acquired from the third party 85.936% of shares of OAO "Obuhovsky zavod SMiK", entity that produces reinforced concrete in Saint Petersburg. The primary reason of business combination was to strengthen the market position and extend product mix variety on the reinforced concrete market of Saint Petersburg.

The Group has over the recent years been in talks with the former owner of OAO "Obuhovsky zavod SMiK" regarding a potential acquisition of the Company. The bargain purchase gain arose because of the Group's negotiation powers; firstly, the seller was not able to identify other potential buyers due to the Group's strong competitive position, and secondly, the former owner was seeking to raise cash through a quick sales process.

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

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	256,892	8,975
Deferred tax assets	4,469	156
Current assets		
Inventory	56,238	1,965
Trade and other receivables	94,672	3,307
Income tax receivable	3,257	114
Cash and cash equivalents	4,163	145
Non-current liabilities		
Loans and borrowings	(2,208)	(77)
Deferred tax liabilities	(37,486)	(1,310)
Current liabilities		
Trade and other payables	(66,661)	(2,329)
Net identifiable assets, liabilities and contingent liabilities	313,336	10,946
Non-controlling interest	44,055	1,539
Net identifiable assets, liabilities and contingent liabilities acquired	269,281	9, 407
Negative goodwill on acquisition	(149,060)	(5,207)
Consideration paid	120,221	4,200
Consideration paid satisfied in cash	-	-
Cash acquired	4,163	145
Net cash inflow	4,163	145

The amounts of revenue earned and loss incurred by the subsidiary from the date of acquisition to the reporting date were RUB 74,781 thousand / USD 2,613 thousand and RUB 8,013 thousand / USD 280 thousand respectively. Revenue earned by the subsidiary for the six months period ended June 30 2011 amounted to RUB 188,374 thousand / USD 6,581 thousand. It has not been practicable to determine profit for the six month period ended 30 June 2011 on an IFRS basis because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of net assets at the acquisition date was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The 15.80% discount rate was applied for Property plant and Equipment impairment test;
- The increase in usage of production capacity to 2015 from 30% to 60% as the results of both improved market conditions and internal marketing efforts;
- Decrease in gross margin from 12% in 2011 to 6% in 2015 due to planned shift in product mix towards more popular but less profitable products.

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

In May 2011 the Group acquired from the third party 93.44% of shares of OAO "Pavlovskaya Keramika", entity that produces brick in Moscow region. The primary reason of business combination was to increase market share in Moscow region.
The acquisition had the following effect on the Group's assets and liabilities as at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Property, plant and equipment	1,042,548	36,422
Intangible assets	93	3
Deferred tax assets	182,048	6,360
Current assets	-	-
Inventory	88,990	3,109
Trade and other receivables	4,900	171
Cash and cash equivalents	2,657	93
Non-current liabilities		-
Deferred tax liabilities	(1,227)	(43)
Current liabilities		-
Loans and borrowings	(4,908)	(171)
Trade and other payables	(100,882)	(3,524)
Net identifiable assets, liabilities and contingent liabilities	1,214,219	42,420
Non-controlling interest	79,653	2,783
Net identifiable assets, liabilities and contingent liabilities acquired	1,134,566	39,637

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Goodwill on acquisition	103,043	3,600
Consideration paid and liability incurred	1,237,609	43,237
Consideration paid satisfied in cash	558,568	19,514
Cash acquired	(2,657)	(93)
Net cash outflow	555,911	19,421

The amounts of revenue earned and profit earned by the subsidiary from the date of acquisition to the reporting date were RUB 19,104 thousand / USD 667 thousand and RUB 2,721 thousand / USD 95 thousand respectively. Revenue earned by the subsidiary for the six months period ended 30 June 2011 amounted to RUB 71,029 thousand / USD 2,481 thousand. It has not been practicable to determine profit for the six month period ended 30 June 2011 on an IFRS basis because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of the acquisition was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2011 and four - nine years business plans;
- The 15.82% discount rate was applied for Property plant and Equipment impairment test;
- Current utilization of subsidiary equals to 50%, it is expected, that the subsidiary will operate in full capacity starting year 2013 as the result of both improved market conditions and internal efforts;
- The increase in selling prices within 5-20% range during years 2012-2015 due improvement of quality and variety of output

There were no significant adjustments made in the financial statements to the amounts provided in the appraisal's report.

Goodwill on acquisitions represents the difference between the fair values of net assets acquired and considerations paid. Management believes that goodwill represents the potential synergy from the acquisition which is not capable of being individually identified and separately recognised.

In January 2011 the Group acquired 100% shares of OOO "MSR Perspectiva" from the third party. OOO "MSR Perspectiva" is engaged in construction activities in Moscow and had no significant assets and liabilities at the date of acquisition. Goodwill recognized at acquisition comprised RUB 11,250 thousand / USD 393 thousand, consideration paid and liability incurred was RUB 1,025 thousand / USD 36 thousand.

In June 2011 one of the Group subsidiaries made prepayment to the third party for the acquisition of 50% shares of a new subsidiary OOO "436 KNI" amounting to RUB 479,909 thousand / USD 17,093 thousand. Refer to notes 17 and 34.

There were no acquisitions of subsidiaries during the six months ended 30 June 2010.

(b) Changes in non-controlling interests

During the six months ended 30 June 2011 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 71,122 thousand / USD 2,485 thousand. Contribution from shareholders of RUB 50,853 thousand / USD 1,777 thousand was recognised directly in equity.

The acquisition of subsidiaries (OAO "Pavlovskaya Keramika" and OAO "Obuhovsky zavod SMiK") resulted in recognition of increase in non-controlling interest of RUB 123,708 thousand / USD 4,322 thousand.

During the six months ended 30 June 2010 the Group acquired an additional interest in a number of subsidiaries from companies controlled by the Group ultimate controlling party and third parties. The Group recognised a decrease in non-controlling interest of RUB 53 thousand / USD 2 thousand. Contribution from shareholders of RUB 25 thousand / USD 1 was recognised directly in equity.

As at 30 June 2010 the Group recalculated net assets attributable to non-controlling interest and recognised the adjustment of RUB 41,286 thousand / USD 1,373 thousand directly in equity as it has no material impact on the financial statements.

(c) Disposal of subsidiaries

In April 2011 the Group sold 100% shares of OOO "Karier Petrovskiy" to the third party. OOO "Karier Petrovskiy" was engaged in crushed granite production in Saint Petersburg. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	**'000 RUB**	**'000 USD**
Non-current assets		
Property, plant and equipment	152	5
Current assets		
Inventories	35,927	1,255
Trade and other receivables	25,506	891
Cash and cash equivalents	579	20
Non-current liabilities		
Deferred tax liabilities	(3,665)	(128)
Interest-bearing loans and borrowings	(6,246)	(218)
Current liabilities		
Interest-bearing loans and borrowings	(42,794)	(1,495)
Trade and other payables	(118,926)	(4,155)
Net assets, liabilities and contingent liabilities disposed	(109,467)	(3,825)
Excess of consideration received over book values of net assets sold	111,467	3,895
Consideration received	2,000	70
Cash and cash equivalents disposed	(579)	(20)
Net cash inflow	1,421	50

In June 2010 one of the Group subsidiaries disposed its share in newly established entity OOO "Sluzhba 071" to an individual for a consideration of RUB 860 thousand / USD 29 thousand. The net gain on the disposal of RUB 854 thousand / USD 29 thousand was recognised as gain on disposal of subsidiary.

7 Administrative expenses

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Wages and salaries	1,374,148	1,106,349	48,007	36,795
Services	508,719	385,339	17,772	12,815
Materials	54,442	41,449	1,902	1,379
Depreciation and amortisation	99,903	82,924	3,491	2,758
Taxes other than profit tax	106,643	105,394	3,726	3,505
Social expenditure	97,927	58,148	3,421	1,934
Insurance	10,544	18,862	368	627
Other administrative expenses	156,689	111,282	5,474	3,702
	2,409,015	1,909,747	84,161	63,515

8 Other income and expenses

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Other income:				
Gain on disposal of property, plant and equipment	234,708	-	8,200	-
Gain on disposal of subsidiaries	111,467	854	3,894	29
Gain on disposal of other assets	11,693	21,054	408	700
Negative goodwill recognised as gain	149,060	-	5,207	-
Other	281	-	10	-
Total other income	507,209	21,908	17,719	729
Other expenses:				
Loss on disposal of property, plant and equipment	-	(25,146)	-	(836)
Loss on disposal of other investments	(269)	-	(9)	-
Total other expenses	(269)	(25,146)	(9)	(836)
Net other expenses	506,940	(3,238)	17,710	(107)

9 Total personnel costs

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Wages and salaries:				
Cost of sales	2,680,138	2,312,067	93,632	76,896
Administrative expenses	1,374,148	1,106,349	48,007	36,795
Distribution expenses	182,119	185,974	6,362	6,185
	4,236,405	3,604,390	148,001	119,876

10 Finance income and finance costs

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Recognised in profit or loss				
Finance income				
Foreign exchange gain	539,677	780,603	18,854	25,962
Interest income	18,837	36,328	658	1,208
Unwind of discount	2,691	36,620	94	1,218
Resale of own bonds	427	10,974	15	365
Income from sale of available-for-sale investments	9,468	-	331	-
Other finance income	2,249	9,226	79	307
	573,349	873,751	20,031	29,060
Finance costs				
Interest expense	(1,769,820)	(2,184,181)	(61,830)	(72,642)
Unwind of discount on payables for shares of the subsidiaries acquired	(3,648)	-	(127)	-
Foreign exchange loss	(178,019)	(844,513)	(6,219)	(28,087)
Loss from sale of available-for-sale investments	(5,414)	(848)	(189)	(28)
Non-controlling interest in limited liability subsidiaries	16,874	(864)	590	(29)
Other finance costs	(8,639)	(14,740)	(303)	(491)
	(1,948,666)	(3,045,146)	(68,078)	(101,277)
Net finance costs recognised in profit or loss	(1,375,317)	(2,171,395)	(48,047)	(72,217)

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	38,312	(62,251)	149,910	(55,455)
Finance income / (costs) recognised in other comprehensive income, net of tax	38,312	(62,251)	149,910	(55,455)
Attributable to:				
Equity holders of the Company	38,312	(62,251)	149,910	(55,455)

11 Income tax expense

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Current tax expense				
Current period	484,953	428,885	16,942	14,265
Deferred tax expense				
Origination and reversal of temporary differences	157,315	(258,791)	5,496	(8,608)
Income tax expense	642,268	170,094	22,438	5,657

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20% (six months 2010: 20%).

Reconciliation of effective tax rate:

	Six months ended 30 June							
	2011 '000 RUB	%	2010 '000 RUB	%	2011 '000 USD	%	2010 '000 USD	%
Profit/(loss) for the period	667,692		(612,578)		23,326		(20,373)	
Income tax expense	642,268		170,094		22,438		5,657	
Profit/(loss) before income tax	1,309,960	100	(442,484)	100	45,764	100	(14,716)	100
Income tax at applicable tax rate	261,992	(20)	(88,497)	20	9,153	(20)	(2,943)	20
Non-taxable income	(83,771)	6	(55,027)	12	(2,927)	6	(1,830)	12
Non-deductible expenses	141,038	(11)	210,444	(47)	4,927	(11)	6,998	(47)
Change in unrecognised deductable temporary differences	265,312	(20)	95,584	(22)	9,269	(20)	3,179	(22)
Tax incentives	(17,527)	1	(31,641)	7	(612)	1	(1,052)	7
Current year losses for which no deferred tax asset was recognised	75,224	(6)	39,231	(8)	2,628	(6)	1,305	(8)
Total income tax expenses for the period	642,268	(50)	170,094	(38)	22,438	(50)	5,657	(38)

12 Construction contracts

The revenue and gross margin recognised on construction contracts during the periods are presented below:

	Six months ended 30 June			
	2011 '000 RUB	2010 '000 RUB	2011 '000 USD	2010 '000 USD
Contract revenue	4,795,895	4,869,744	167,547	161,960
Contract costs	(3,950,108)	(3,847,020)	(137,999)	(127,946)
Gross profit	845,787	1,022,724	29,548	34,014

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2010	11,645,990	11,727,266	2,823,611	673,978	12,248,714	39,119,559
Additions	322,867	59,589	49,301	19,747	1,367,317	1,818,821
Disposals	(38,214)	(65,104)	(17,903)	(9,137)	(54,228)	(184,586)
Transfers and reclassifications	238,803	64,338	28,456	3,590	(335,187)	-
Effect of movements in exchange rates	(37,474)	(41,929)	995	(1,914)	(1,195)	(81,517)
At 30 June 2010	12,131,972	11,744,160	2,884,460	686,264	13,225,421	40,672,277
At 1 January 2011	12,033,019	11,197,237	2,893,050	693,323	15,055,845	41,872,474
Acquisitions through business combinations	350,283	363,494	27,341	2,817	556,436	1,300,371
Additions	62,100	340,330	179,161	25,511	1,077,457	1,684,559
Disposals	(159,925)	(80,811)	(86,720)	(8,762)	(29,838)	(366,056)
Business disposals	-	(98)	(92)	-	-	(190)
Transfers and reclassifications	523,153	304,701	3,897	4,488	(836,239)	-
Effect of movements in exchange rates	(69,716)	(55,553)	(1,893)	(737)	(5,919)	(133,818)
At 30 June 2011	12,738,914	12,069,300	3,014,744	716,640	15,817,742	44,357,340
Depreciation and impairment losses						
At 1 January 2010	(1,735 ,494)	(3,768,555)	(1,394,650)	(377,497)	-	(7,276,196)
Depreciation charge	(294,099)	(629,230)	(215,094)	(43,985)	-	(1,182,408)
Disposals	9,911	44,460	15,453	3,052	-	72,876
Transfers into assets held for sale	-	1,063	-	(1,063)	-	-
Effect of movements in exchange rates	7,622	22,243	(299)	1,599	-	31,165
At 30 June 2010	(2,012,060)	(4,330,019)	(1,594,590)	(417,894)	-	(8,354,563)
At 1 January 2011	(2,196,713)	(4,639,347)	(1,742,719)	(442,056)	-	(9,020,835)
Depreciation charge	(287,998)	(636,540)	(186,566)	(37,963)	-	(1,149,067)
Acquisitions through business combinations	-	-	-	(144)	-	(144)
Disposals	21,068	62,763	60,816	6,214	-	150,861
Business disposals	-	24	14	-		38
Transfers and reclassifications	17,128	(9,565)	(232)	(7,331)	-	-
Effect of movements in exchange rates	6,512	7,604	848	326	-	15,290
At 30 June 2011	(2,440,003)	(5,215,061)	(1,867,839)	(480,954)	-	(10,003,857)
Net book value						
At 1 January 2010	9,910,496	7,958,711	1,428,961	296,481	12,248,714	31,843,363
At 30 June 2010	10,119,912	7,414,141	1,289,870	268,370	13,225,421	32,317,714
At 1 January 2011	9,836,306	6,557,890	1,150,331	251,267	15,055,845	32,851,639
At 30 June 2011	10,298,911	6,854,239	1,146,905	235,686	15,817,742	34,353,483

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2010	385,065	387,753	93,360	22,285	404,994	1,293,457
Additions	10,738	1,982	1,640	657	45,475	60,492
Disposals	(1,271)	(2,165)	(595)	(304)	(1,804)	(6,139)
Transfers and reclassifications	7,942	2,140	946	119	(11,147)	-
Effect of movements in exchange rates	(13,571)	(13,239)	(2,887)	(758)	(13,564)	(44,019)
At 30 June 2010	388,903	376,471	92,464	21,999	423,954	1,303,791
At 1 January 2011	394,824	367,401	94,926	22,749	494,009	1,373,909
Acquisitions through business combinations	12,237	12,699	955	98	19,439	45,428
Additions	2,169	11,890	6,259	891	37,641	58,850
Disposals	(5,587)	(2,823)	(3,030)	(306)	(1,042)	(12,788)
Business disposals	-	(3)	(3)	-	-	(6)
Transfers and reclassifications	18,277	10,645	136	157	(29,215)	-
Effect of movements in exchange rates	31,813	30,074	8,136	1,936	42,562	114,521
At 30 June 2011	453,733	429,883	107,379	25,525	563,394	1,579,914
Depreciation and impairment losses						
At 1 January 2010	(57,383)	(124,604)	(46,113)	(12,482)	-	(240,582)
Depreciation charge	(9,781)	(20,927)	(7,154)	(1,463)	-	(39,325)
Disposals	330	1,479	514	102	-	2,425
Transfers and reclassifications	-	35	-	(35)	-	-
Effect of movements in exchange rates	2,335	5,214	1,637	482	-	9,668
At 30 June 2010	(64,499)	(138,803)	(51,116)	(13,396)	-	(267,814)
At 1 January 2011	(72,078)	(152,225)	(57,182)	(14,505)	-	(295,990)
Depreciation charge	(10,061)	(22,238)	(6,518)	(1,326)	-	(40,143)
Acquisitions through business combinations	-	-	-	(5)	-	(5)
Disposals	736	2,193	2,125	217	-	5,271
Business disposals	-	1	-	-	-	1
Transfers and reclassifications	598	(334)	(8)	(256)	-	-
Effect of movements in exchange rates	(6,103)	(13,146)	(4,944)	(1,257)	-	(25,450)
At 30 June 2011	(86,908)	(185,749)	(66,527)	(17,132)	-	(356,316)
Net book value						
At 1 January 2010	327,682	263,149	47,247	9,803	404,994	1,052,875
At 30 June 2010	324,404	237,668	41,348	8,603	423,954	1,035,977
At 1 January 2011	322,746	215,176	37,744	8,244	494,009	1,077,919
At 30 June 2011	366,825	244,134	40,852	8,393	563,394	1,223,598

Depreciation expense of RUB 995,955 thousand / USD 34,794 thousand has been charged in cost of goods sold (30 June 2010: RUB 1,054,831 thousand / USD 35,082 thousand), RUB 20,008 thousand / USD 699 thousand in distribution expenses (30 June 2010: RUB 23,778 thousand / USD 791 thousand) and RUB 98,561 thousand / USD 3,443 thousand in administrative expenses (30 June 2010: RUB 74,844 thousand / USD 2,489 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 2,028,139 thousand / USD 72,238 thousand are subject to a registered debenture to secure bank loans (31 December 2010: RUB 1,104,044 thousand / USD 36,226 thousand) (refer to note 25).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2011 the net book value of leased plant and machinery was RUB 912,842 thousand / USD 32,513 thousand (31 December 2010: RUB 1,402,103 thousand / USD 46,005 thousand).

14 Intangible assets

'000 RUB	Goodwill	Other	Total
Cost			
Balance at 1 January 2010	4,326,912	737,883	5,064,795
Additions	-	293,315	293,315
Disposals	-	(16,435)	(16,435)
Effects of movement in exchange rates	-	(581)	(581)
Balance at 30 June 2010	4,326,912	1,014,182	5,341,094
Balance at 1 January 2011	4,080,960	1,134,717	5,215,677
Acquisitions through business combinations	114,293	93	114,386
Additions	-	34,746	34,746
Disposals	-	(1,119)	(1,119)
Effects of movement in exchange rates	-	(48)	(48)
Balance 30 June 2011	4,195,253	1,168,389	5,363,642
Amortisation and impairment losses			
Balance at 1 January 2010	(470,079)	(122,636)	(592,715)
Amortisation charge	-	(34,961)	(34,961)
Disposals	-	8,711	8,711
Effects of movement in exchange rates	-	316	316
Balance at 30 June 2010	(470,079)	(148,570)	(618,649)
Balance at 1 January 2011	(470,079)	(178,375)	(648,454)
Amortisation charge	-	(35,184)	(35,184)
Disposals	-	736	736
Effects of movement in exchange rates	-	21	21
Balance 30 June 2011	(470,079)	(212,802)	(682,881)
Net book value			
At 1 January 2010	3,856,833	615,247	4,472,080
At 30 June 2010	3,856,833	865,612	4,722,445
At 1 January 2011	3,610,881	956,342	4,567,223
At 30 June 2011	3,725,174	955,587	4,680,761

'000 USD	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2010	143,066	24,398	167,464
Additions	-	9,755	9,755
Disposals	-	(547)	(547)
Effects of movement in exchange rates	(4,362)	(1,095)	(5,457)
Balance at 30 June 2010	138,704	32,511	171,215
Balance at 1 January 2011	133,903	37,233	171,136
Acquisitions through business combinations	3,993	3	3,996
Additions	-	1,214	1,214
Disposals	-	(39)	(39)
Effect of movements in exchange rates	11,530	3,205	14,735
Balance 30 June 2011	149,426	41,616	191,042
Amortisation and impairment losses			
Balance at 1 January 2010	(15,543)	(4,055)	(19,598)
Amortisation charge	-	(1,163)	(1,163)
Disposals	-	290	290
Effects of movement in exchange rates	474	165	639
Balance at 30 June 2010	(15,069)	(4,763)	(19,832)
Balance at 1 January 2011	(15,424)	(5,854)	(21,278)
Amortisation charge	-	(1,229)	(1,229)
Disposals	-	26	26
Effect of movements in exchange rates	(1,319)	(523)	(1,842)
Balance 30 June 2011	(16,743)	(7,580)	(24,323)
Net book value			
At 1 January 2010	127,523	20,343	147,866
At 30 June 2010	123,635	27,748	151,383
At 1 January 2011	118,479	31,379	149,858
At 30 June 2011	132,683	34,036	166,719

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

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

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing these units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity or business unit (BU) and the related impairment losses recognised are as follows:

		Allocated goodwill		Accumulated impairment losses		Net book value as at 30 June 2011	
Entity / Business Unit	**Operating Segment**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**	**'000 RUB**	**'000 USD**
OAO "Zavod ZhBI-6"	Building Materials	254,172	9,053	(188,583)	(6,717)	65,589	2,336
JSC "Aeroc Obuchow"	Building Materials	818,546	29,155	(164,594)	(5,862)	653,952	23,293
LSR Europe GmbH	Real Estate Development	50,093	1,784	-	-	50,093	1,784
Limited Liability Company "Cement"	Building Materials	621,485	22,136	-	-	621,485	22,136
BU Reinforced Concrete Spb	Building Materials	17,354	618	-	-	17,354	618
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Real Estate Development	22,451	800	-	-	22,451	800
BU Crushed Granite Ural	Aggregates	128,269	4,569	(116,902)	(4,164)	11,367	405
BU Construction Ural	Construction	736,429	26,230	-	-	736,429	26,230
BU Development Ural	Real Estate Development	1,276,844	45,478	-	-	1,276,844	45,478
BU Sand	Aggregates	155,317	5,532	-	-	155,317	5,532
OOO "MSR Perspectiva"	Construction	11,250	401	-	-	11,250	401
OAO "Pavlovskaya Keramika"	Building Materials	103,043	3,670	-	-	103,043	3,670
		4,195,253	149,426	(470,079)	(16,743)	3,725,174	132,683

Goodwill will be tested for impairment as of 31 December 2011.

Impairment review of non-financial assets was conducted by the Group with regard to those business units, for which indicators of impairment were identified as of 30 June 2011.

The following key assumptions were used in determining the recoverable amounts of the respective companies as of 30 June 2011 and has not significantly changed compared to those that were used as of 31 December 2010.

Building Materials, Aggregates and Construction services operating segments:

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

Construction:

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

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

No impairment loss was recognised in respect of non-financial assets tested, as the impairment test demonstrates that for these business units’ fair values are significantly higher than carrying amounts in aggregate and individually.

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

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

Business unit	**’000 RUB**	**’000 USD**
BU Other (Operating segment Building Materials)	31,335	1,116

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

Business unit	**’000 RUB**	**’000 USD**
BU Other (Operating segment Building Materials)	17,248	614

15 Investment property under development

	Fair value of investment projects			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Cost / Fair value				
At 1 January	319,381	390,564	10,479	12,914
Additions	82,431	32,062	2,880	1,066
Effect of movements in exchange rates	-	-	952	(432)
At 30 June	401,812	422,626	14,311	13,548

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

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

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

The fair value of the investment property under development is based on valuations by independent valuers who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs to complete the individual projects to the stage where they could be marketed and the estimated developer's profit margin. A discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

As there were no significant changes in market conditions, the Group has not carried out a valuation of investment property under development as at 30 June 2011 and reflected investment property under development at values revised as a result of valuation performed at 31 December 2010 plus additions capitalised during 6 months period ended 30 June 2011.

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

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

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

As of 30 June 2011 and 31 December 2010 there were no investment properties under development to be subject to a registered debenture to secure bank loans.

Sensitivity analysis

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

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

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

16 Investment property

’000 RUB	**2011**	**2010**
Cost		
At 1 January	2,308,258	2,304,827
Additions	-	915
Disposal	-	(15)
At 30 June	2,308,258	2,305,727

’000 USD	**2011**	**2010**
Cost		
At 1 January	75,738	76,207
Additions	-	30
Effect of movements in exchange rates	6,477	(2,325)
At 30 June	82,215	73,912

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

Because there were no significant changes in market conditions, the Group has not carried out a valuation of investment property as at 30 June 2011 and reflected investment properties at values received as a result of valuation performed as at 31 December 2010. In preparing the valuations of the existing office properties as of 31 December 2010 the comparable approach has been used.

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

	Six months ended 30 June			
	2011	**2010**	**2011**	**2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Rental income from investment property	81,871	70,924	2,860	2,359
Direct operating expenses arising from investment property that generated rental income during the period	21,564	19,225	753	639

As of 30 June 2011 and 31 December 2010 there were no investment properties pledged as collateral to secure bank loans.

17 Other investments

	30 June 2011	**31 December 2010**	**30 June 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	22,406	18,595	798	610
Prepayment for acquisition of subsidiary	479,909	-	17,093	-
Originated loans	61,113	16,214	2,177	532
	563,428	34,809	20,068	1,142
Current				
Held to maturity investments	43,839	25,961	1,562	852
Originated loans	138,908	126,329	4,947	4,145
	182,747	152,290	6,509	4,997

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

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 28.

18 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

'000 RUB	**Assets**		**Liabilities**		**Net**	
	30 June 2011	**31 December 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**31 December 2010**
Property, plant and equipment	(925,784)	(729,229)	2,106,663	2,043,031	1,180,879	1,313,802
Intangible assets	(96)	(57,193)	94,007	158,668	93,911	101,475
Investment property under development	(31,681)	(12,991)	1,789	1,789	(29,892)	(11,202)
Investment property	-	-	348,972	348,692	348,972	348,692
Inventories	(424,948)	(551,261)	393,762	416,435	(31,186)	(134,826)
Trade and other receivables	(325,520)	(335,114)	118,033	145,809	(207,487)	(189,305)
Loans and borrowings	(24,308)	(47,327)	49,616	31,702	25,308	(15,625)
Provisions	(12,019)	(8,813)	-	-	(12,019)	(8,813)
Trade and other payables	(268,340)	(244,565)	108,925	63,424	(159,415)	(181,141)
Tax loss carry-forwards	(1,022,555)	(1,045,436)	-	-	(1,022,555)	(1,045,436)
Tax (assets)/liabilities	(3,035,251)	(3,031,929)	3,221,767	3,209,550	186,516	177,621
Set off of tax	1,559,573	1,529,938	(1,559,573)	(1,529,938)	-	-
Net tax (assets)/liabilities	(1,475,678)	(1,501,991)	1,662,194	1,679,612	186,516	177,621

'000 USD	**Assets**		**Liabilities**		**Net**	
	30 June 2011	**31 December 2010**	**30 June 2011**	**31 December 2010**	**31 June 2011**	**31 December 2010**
Property, plant and equipment	(32,976)	(23,927)	75,034	67,035	42,058	43,108
Intangible assets	(3)	(1,877)	3,348	5,206	3,345	3,329
Investment property under development	(1,128)	(426)	64	59	(1,064)	(367)
Investment property	-	-	12,429	11,441	12,429	11,441
Inventories	(15,136)	(18,088)	14,025	13,664	(1,111)	(4,424)
Trade and other receivables	(11,594)	(10,996)	4,204	4,784	(7,390)	(6,212)
Loans and borrowings	(866)	(1,553)	1,767	1,040	901	(513)
Provisions	(428)	(289)	-	-	(428)	(289)
Trade and other payables	(9,558)	(8,025)	3,880	2,082	(5,678)	(5,943)
Tax loss carry-forwards	(36,421)	(34,302)	-	-	(36,421)	(34,302)
Tax (assets)/liabilities	(108,110)	(99,483)	114,751	105,311	6,641	5,828
Set off of tax	55,549	50,200	(55,549)	(50,200)	-	-
Net tax (assets)/liabilities	(52,561)	(49,283)	59,202	55,111	6,641	5,828

Temporary difference of RUB 18,150,203 thousand / USD 646,471 thousand (31 December 2010: RUB 18,566,025 thousand / USD 609,184 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and the reversal is not expected in the foreseeable future.

Deferred tax assets on tax losses carry-forward recognised as at 30 June 2011 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14). The major part of those tax losses relates to operating segments Real Estate Development, Building Materials and Other Entities and expire in 2018-2020.

(b) Movement in temporary differences during the year

’000 RUB	1 January 2011	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2011
Property, plant and equipment	1,313,802	(114,118)	(22,780)	3,975	1,180,879
Intangible assets	101,475	(7,564)	-	-	93,911
Investment property under development	(11,202)	(18,690)	-	-	(29,892)
Investment property	348,692	280	-	-	348,972
Inventories	(134,826)	102,413	1,227	-	(31,186)
Trade and other receivables	(189,305)	(2,756)	(15,426)	-	(207,487)
Loans and borrowings	(15,625)	40,933	-	-	25,308
Provisions	(8,813)	(3,206)	-	-	(12,019)
Trade and other payables	(181,141)	29,706	(7,980)	-	(159,415)
Tax loss carry-forwards	(1,045,436)	130,317	(106,510)	(926)	(1,022,555)
	177,621	157,315	(151,469)	3,049	186,516

’000 RUB	1 January 2010	Recognised in profit or loss	Effect of movements in exchange rate	30 June 2010
Property, plant and equipment	1,458,213	(25,050)	2,250	1,435,413
Intangible assets	114,227	(5,534)	-	108,693
Investment property under development	100,791	(111,391)	-	(10,600)
Investment property	345,090	1,756	-	346,846
Inventories	(240,487)	40,585	-	(199,902)
Trade and other receivables	(337,757)	40,405	-	(297,352)
Loans and borrowings	(77,010)	16,219	-	(60,791)
Provisions	(8,721)	(1,197)	-	(9,918)
Trade and other payables	(141,841)	50,433	-	(91,408)
Tax loss carry-forwards	(610,714)	(265,017)	6,332	(869,399)
	601,791	(258,791)	8,582	351,582

'000 USD	**1 January 2011**	**Recognised in profit or loss**	**Acquired/ disposed**	**Effect of movements in exchange rate**	**30 June 2011**
Property, plant and equipment	43,108	(3,987)	(796)	3,733	42,058
Intangible assets	3,329	(264)	-	280	3,345
Investment property under development	(367)	(653)	-	(44)	(1,064)
Investment property	11,441	9	-	979	12,429
Inventories	(4,424)	3,578	43	(308)	(1,111)
Trade and other receivables	(6,212)	(96)	(539)	(543)	(7,390)
Loans and borrowings	(513)	1,430	-	(16)	901
Provisions	(289)	(112)	-	(27)	(428)
Trade and other payables	(5,943)	1,038	(278)	(495)	(5,678)
Tax loss carry-forwards	(34,302)	4,553	(3,721)	(2,951)	(36,421)
	5,828	5,496	(5,291)	608	6,641

'000 USD	**1 January 2010**	**Recognised in profit or loss**	**Effect of movements in exchange rate**	**30 June 2010**
Property, plant and equipment	48,214	(833)	(1,367)	46,014
Intangible assets	3,776	(184)	(108)	3,484
Investment property under development	3,333	(3,705)	32	(340)
Investment property	11,410	58	(350)	11,118
Inventories	(7,950)	1,350	192	(6,408)
Trade and other receivables	(11,168)	1,344	293	(9,531)
Loans and borrowings	(2,546)	539	58	(1,949)
Provisions	(288)	(40)	10	(318)
Trade and other payables	(4,690)	1,677	82	(2,931)
Tax loss carry-forwards	(20,193)	(8,814)	1,138	(27,869)
	19,898	(8,608)	(20)	11,270

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Tax losses	190,254	53,086	6,776	1,742
Deductible temporary differences on intercompany sales of investments	276,963	73,595	9,865	2,415
Total deferred tax assets have not been recognised	467,217	126,681	16,641	4,157

The tax losses expire in 2017-2021. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

19 Inventories

	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	’000 RUB	’000 RUB	’000 USD	’000 USD
Work in progress, construction of buildings	40,448,153	37,585,913	1,440,677	1,233,259
Finished goods, construction of buildings	5,630,324	10,470,129	200,540	343,543
Finished goods and goods for resale	2,377,525	1,881,175	84,682	61,725
Raw materials and consumables	1,565,274	1,269,211	55,752	41,645
Lease incentives	1,110,026	1,110,026	39,537	36,422
Work in progress	722,236	505,039	25,725	16,571
	51,853,538	52,821,493	1,846,913	1,733,165

Inventories with a carrying amount of RUB 6,244,005 thousand / USD 222,398 thousand are subject to a registered debenture to secure bank loans (31 December 2010: RUB 6,885,496 thousand / USD 225,925 thousand) (refer to note 25).

20 Trade and other receivables

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Non-current				
Accounts receivable - trade	294	1,142	10	37
Prepayments to suppliers	612,116	583,436	21,802	19,144
Notes receivable on disposals of subsidiaries	124,957	122,088	4,451	4,006
Other receivables	9,920	102,021	354	3,347
	747,287	808,687	26,617	26,534
Current				
Accounts receivable – trade	3,685,431	2,229,608	131,267	73,157
Prepayments for flats	2,908,972	1,610,438	103,611	52,841
Prepayments to suppliers	2,662,718	1,650,125	94,840	54,143
Amounts due from customers for contract work	2,277,406	421,742	81,116	13,838
Notes receivable	851,670	965,377	30,335	31,676
VAT receivable	579,456	824,763	20,639	27,062
Deferred expenses	115,572	132,122	4,116	4,335
Employee receivables	8,410	6,281	300	206
Other receivables	2,492,258	2,217,548	88,769	72,763
	15,581,893	10,058,004	554,993	330,021
Provision for doubtful debtors	(889,611)	(945,880)	(31,686)	(31,036)
	14,692,282	9,112,124	523,307	298,985

Prepayments for flats acquired for resale include RUB 107,294 thousand / USD 3,822 thousand for flats that will be received after 12 months from the reporting date (31 December 2010: RUB 716,649 thousand / USD 23,514 thousand).

Other current receivables include the advance of RUB 879,302 thousand / USD 31,319 thousand (31 December 2010: RUB 915,279 thousand / USD 30,032 thousand), paid to CERIC S.A. for the supply of equipment for the new brick-making plant. This advance was partly written off by RUB 35,977 thousand / USD 1,257 thousand to RUB 879,302 thousand / USD 31,319 thousand as at 30 June 2011 based on the final award of the Stockholm arbitration court (refer to note 31 (b)).

Notes receivable on disposals of subsidiaries include discounted amount of receivables RUB 124,957 thousand / USD 4,451 thousand (31 December 2010: RUB 88,531 thousand / USD 2,905 thousand) from sale of Aeroc International AS with discount rate 4.42%.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 28.

21 Cash and cash equivalents

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Petty cash	6,698	3,239	239	106
Current accounts	1,434,264	921,115	51,085	30,224
Call deposits	90,179	402,785	3,212	13,216
Cash and cash equivalents in the statement of financial position	1,531,141	1,327,139	54,536	43,546
Cash and cash equivalents in the statement of cash flows	1,531,141	1,327,139	54,536	43,546

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

22 Restricted cash

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Non-current				
Restricted cash	9	11	-	-
Current				
Restricted cash	316,230	191,665	11,263	6,289
	316,239	191,676	11,263	6,289

Cash in amount of RUB 316,230 thousand / USD 11,263 thousand is restricted for use by the Group according to the requirements of German legislation that regulates operations between developers and investors-individuals (31 December 2010: RUB 191,665 thousand /USD 6,289 thousand).

23 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	
	30 June 2011	**31 December 2010**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the period	103,030,215	103,030,215
On issue at end of the period, fully paid	103,030,215	103,030,215

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

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

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

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

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2011 the Company had retained earnings, including the profit for the current period, of RUB 5,615,013 thousand/ USD 196,163 thousand (as at 31 December 2010: RUB 6,084,127 thousand/ USD 199,631 thousand).

In June 2011 The Group distributed dividends in the amount of RUB 1,624,582 thousand / USD 56,756 thousand at value RUB 15 / USD 0,5 each for financial year ended 31 December 2010 (nil per year 2009).

24 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 23 (a). The Company has no dilutive potential ordinary shares.

	2011	2010
Issued shares at 1 January	103,030,215	93,663,832
Effect of shares issued in May 2010	-	2,639,147
Weighted average number of shares for the six months ended 30 June	103,030,215	96,302,979

25 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 28.

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Non-current				
Secured bank loans	25,256,818	23,599,818	899,594	774,351
Unsecured bank loans	140,000	420,000	4,987	13,781
Unsecured other loans	9,000	-	321	-
Unsecured bond issues	6,957,993	3,500,000	247,828	114,841
Finance lease liability	184,024	194,665	6,555	6,387
	32,547,835	27,714,483	1,159,285	909,360
Current				
Secured bank loans	1,049,570	343,759	37,383	11,280
Unsecured bank loans	564,738	280,000	20,115	9,187
Unsecured other loans	31,759	56,649	1,131	1,859
Unsecured bond issue	1,500,856	3,000,856	53,457	98,463
Finance lease liability	182,301	307,307	6,493	10,083
	3,329,224	3,988,571	118,579	130,872

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2011		31 December 2010	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	6м Euribor+7.75% 5.25% - 17.5%	2011-2012	930,041	930,041	367,336	367,336
	USD	6м Libor + 5.5% - 7.81%	2011-2019	5,430,360	5,430,360	8,546,368	8,546,368
	RUB	8.75% - 10.75% CBR rate+3%	2011-2019	19,945,987	19,945,987	15,029,873	15,029,873
Unsecured facility	RUB	0 – 10.50%	2011-2014	9,204,346	9,204,346	7,257,505	7,257,505
Finance lease liability		6.30 – 48.90%	2011-2015	366,325	366,325	501,972	501,972
				35,877,059	35,877,059	31,703,054	31,703,054

				30 June 2011		31 December 2010	
'000 USD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	EUR	6м Euribor+7.75% 5.25% - 17.5%	2011-2012	33,126	33,126	12,053	12,053
	USD	6м Libor + 5.5% - 7.81%	2011-2019	193,418	193,418	280,422	280,422
	RUB	8.75% - 10.75% CBR rate+3%	2011-2019	710,433	710,433	493,156	493,156
Unsecured facility	RUB	0 – 10.50%	2011-2014	327,839	327,839	238,131	238,131
Finance lease liability		6.30 – 48.90%	2011-2015	13,048	13,048	16,470	16,470
				1,277,864	1,277,864	1,040,232	1,040,232

Covenants and other matters

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

– a limitation on the Group ability to incur additional debt beyond a certain financial ratios;

– subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;

– a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);

– a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

’000 RUB	**30 June 2011**			**31 December 2010**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	231,001	48,700	182,301	368,601	61,294	307,307
Between one and five years	213,817	29,793	184,024	226,961	32,296	194,665
	444,818	78,493	366,325	595,562	93,590	501,972

’000 USD	**30 June 2011**			**31 December 2010**		
	Payments	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	8,228	1,735	6,493	12,094	2,011	10,083
Between one and five years	7,616	1,061	6,555	7,447	1,060	6,387
	15,844	2,796	13,048	19,541	3,071	16,470

Bank loans are secured by the following:

– Property, plant and equipment with a carrying amount of RUB 2,028,139 thousand / USD 72,238 thousand is pledged as collateral to secure bank loans (31 December 2010: RUB 1,104,044 thousand / USD 36,226 thousand) – refer to note 13(b).
– Inventories with a carrying amount of RUB 6,244,005 thousand / USD 222,398 thousand are pledged as collateral to secure bank loans. (31 December 2010: RUB 6,885,496 thousand / USD 225,925 thousand) – refer to note 19.

The finance lease liabilities are secured by the leased assets (refer to note 13(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as of 30 June 2011:

– 50.00% + 1 share of OAO “Granit-Kuznechnoye”;
– 50.00% + 1 share of ZAO “DSK “Blok”;
– 50.00% + 1 share of JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”;
– 100.00% of ZAO “Promyshlenny leasing”;
– 100.00% of Limited Liability Company “Cement”.

26 Provisions

’000 RUB	**Site restoration**	**Environment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Total**
Current					
Balance at 1 January 2011	560,507	-	6,373	-	566,880
Provisions made during the period	39,544	-	1,050	1,673	42,267
Provisions used during the period	(265,457)	-	-	-	(265,457)
Exchange differences (+/-)	-	-	9	-	9
Balance at 30 June 2011	334,594	-	7,432	1,673	343,699

’000 RUB	Site restoration	Environment restoration	Warranty provision	Provision for unprofitable contracts	Total
Non-current					
Balance at 1 January 2011	-	4,975	-	-	4,975
Provisions made during the period	-	338	-	-	338
Provisions used during the period	-	(129)	-	-	(129)
Balance at 30 June 2011	-	5,184	-	-	5,184

’000 USD	Site restoration	Environment restoration	Warranty provision	Provision for unprofitable contracts	Total
Current					
Balance at 1 January 2011	18,391	-	209	-	18,600
Provisions made during the period	1,381	-	37	58	1,476
Provisions used during the period	(9,274)	-	-	-	(9,274)
Exchange differences (+/-)	1,420	-	19	1	1,440
Balance at 30 June 2011	11,918	-	265	59	12,242
Non-current					
Balance at 1 January 2011	-	163	-	-	163
Provisions made during the period	-	12	-	-	12
Provisions used during the period	-	(6)	-	-	(6)
Exchange differences (+/-)	-	15	-	-	15
Balance at 30 June 2011	-	184	-	-	184

(a) Warranty provision

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

(b) Site restoration

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

(c) Environment restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in forested areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the average cost of past restoration works and current information available. The Group expects the resulting outflow of economic benefits over the next five years.

(d) Provision for unprofitable contracts

The Group records provisions in respect of the Group's loss contracts in connection of immediately reflection of loss on construction contracts. Amount of the provision is calculated based on contract price, contract expenses accounted contract stage per definite loss contract.

27 Trade and other payables

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Non-current payables				
Notes payable long-term	178,479	194,261	6,358	6,374
	178,479	194,261	6,358	6,374
Current payables				
Prepayments received for flats	8,285,216	8,937,683	295,102	293,262
Accounts payable – trade	4,789,063	3,185,745	170,576	104,530
Advances from customers	2,959,267	2,731,010	105,403	89,609
Interest payable	1,364,269	973,927	48,592	31,956
Accounts due to customers for contract work	1,307,801	428,425	46,581	14,057
Other taxes payable	1,219,781	818,765	43,446	26,865
Employee-related liabilities	898,615	582,747	32,007	19,121
Payables for shares of the subsidiaries acquired	799,272	-	28,468	-
Notes payable	101,758	124,882	3,624	4,098
Deferred income	68,577	61,003	2,443	2,002
Non-controlling interest in limited liability subsidiaries	38,324	55,198	1,365	1,811
Dividends payable	1,878	-	67	-
Other payables	843,768	882,651	30,054	28,960
	22,677,589	18,782,036	807,728	616,271

Prepayments received for flats include RUB 2,950,825 thousand / USD 105,102 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2010: RUB 2,126,552 thousand / USD 69,776 thousand).

Payables for shares of subsidiaries acquired include payables for acquired shares of OAO "Obuhovsky zavod SMiK" of RUB 120,221 thousand / USD 4,282 thousand and OAO "Pavlovskaya Keramika" of RUB 679,051 thousand / USD 24,186 thousand.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

28 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. One customer of the Group's Construction operating segment represents approximately RUB 1,309,456 thousand/ USD 45,746 thousand (six months ended 30 June 2010: RUB 2,652,848 thousand / USD 88,229 thousand) or more than 10% of the Group's revenue (refer to note 5 (c)). Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

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

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

(ii) Investments

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

(iii) Guarantees

The Group's policy is to provide financial guarantees only to its own subsidiaries. At 30 June 2011 no guarantees were outstanding (31 December 2010: none).

Exposure to credit risk

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

’000 RUB	**Carrying amount**	
	30 June 2011	**31 December 2010**
Available-for-sale financial assets	22,406	18,595
Loans and receivables	8,783,212	5,358,509
Held to maturity investments	43,839	25,961
Cash and cash equivalents	1,531,141	1,327,139
Restricted cash	316,239	191,676
	10,696,837	6,921,880

’000 USD	**Carrying amount**	
	30 June 2011	**31 December 2010**
Available-for-sale financial assets	798	610
Loans and receivables	312,840	175,822
Held to maturity investments	1,562	852
Cash and cash equivalents	54,536	43,546
Restricted cash	11,263	6,289
	380,999	227,119

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

’000 RUB	**Carrying amount**	
	30 June 2011	**31 December 2010**
Domestic	3,042,231	1,595,330
Euro-zone countries	49,554	39,002
Other CIS countries	15,450	19,314
	3,107,235	1,653,646

’000 USD	**Carrying amount**	
	30 June 2011	**31 December 2010**
Domestic	108,358	52,344
Euro-zone countries	1,765	1,280
Other CIS countries	549	634
	110,672	54,258

The Group’s most significant trade debtor, OOO “NSK-Monolith”, accounts for RUB 94,939 thousand / USD 3,382 thousand of the trade receivables carrying amount at 30 June 2011 (31 December 2010: RUB 32,829 thousand / USD 1,077).

The total amount of impaired trade receivables at the reporting date was RUB 578,490 thousand / USD 20,605 thousand (31 December 2010: RUB 577,104 thousand / USD 18,936 thousand).

The aging of trade receivables at the reporting date was:

	Gross 30 June 2011	Impairment 30 June 2011	Gross 31 December 2010	Impairment 31 December 2010
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**
Not past due	2,024,600	54	851,625	2,110
Past due 0-30 days	411,741	50	358,067	1,909
Past due 31-150 days	471,298	19,303	573,753	161,709
Past due more than 150 days	778,086	559,083	447,305	411,376
	3,685,725	578,490	2,230,750	577,104

	Gross 30 June 2011	Impairment 30 June 2011	Gross 31 December 2010	Impairment 31 December 2010
	’000 USD	**’000 USD**	**’000 USD**	**’000 USD**
Not past due	72,111	2	27,942	69
Past due 0-30 days	14,665	2	11,749	63
Past due 31-150 days	16,787	688	18,826	5,306
Past due more than 150 days	27,714	19,913	14,677	13,498
	131,277	20,605	73,194	18,936

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

	2011	2010
	’000 RUB	**’000 RUB**
Balance at 1 January	(577,104)	(512,050)
Impairment loss recognised	(1,386)	(14,446)
Balance at 30 June	(578,490)	(526,496)

	2011	2010
	’000 USD	**’000 USD**
Balance at 1 January	(18,936)	(16,930)
Impairment loss recognised	(48)	(480)
Effect of movements in exchange rates	(1,621)	533
Balance at 30 June	(20,605)	(16,877)

The impairment loss at 30 June 2011 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

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

	2011	**2010**
	'000 RUB	**'000 RUB**
Balance at 1 January	(368,776)	(324,705)
Impairment reversal	57,655	47,332
Balance at 30 June	(311,121)	(277,373)

	2011	**2010**
	'000 USD	**'000 USD**
Balance at 1 January	(12,100)	(10,737)
Impairment reversal	2,014	1,574
Effect of movements in exchange rates	(995)	271
Balance at 30 June	(11,081)	(8,892)

(c) Liquidity risk

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

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 30 June 2011 the Group's unused short-term credit facilities amount is RUB 5,818,153 thousand / USD 207,230 thousand (31 December 2010: RUB 5,222,164 thousand / USD 171,348 thousand) from Russian, and Ukrainian banks. Interest would be payable at the rate of 6.00% to 9.50%.

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

30 June 2011	**Average interest rate**					
’000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75% - 10.00%	9.29%	200	10,411,415	7,372,250	17,783,865
RUB	CBR rate+3%	10.75%	270,266	1,081,060	810,796	2,162,122
USD	Libor + 5.5% / 7.81%	8.26%	20,425	3,500,051	1,909,884	5,430,360
EUR*	5.25% - 17.5%	8.23%	631,145	171,362	-	802,507
EUR	Euribor+ 7.75%	8.75%	127,534	-	-	127,534
Unsecured bank loans:						
RUB*	8.00% - 9.75%	9.74%	564,738	140,000	-	704,738
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.12%	31,759	-	9,000	40,759
Unsecured bond issues:						
RUB*	9.25% - 10.50%	9.90%	1,500,856	6,957,993	-	8,458,849
Finance lease liabilities						
RUB*	13.70-48.90%	31.30%	80,612	99,392	-	180,004
EUR*	9.50-27.3%	18.40%	92,310	82,413	-	174,723
USD*	6.30-15.95%	11.00%	5,643	-	-	5,643
Other*	18.00%-26.00%	22.00%	3,736	2,219	-	5,955
Trade and other payables		-	7,938,332	178,479	-	8,116,811
Future interests**		-	3,161,212	7,368,962	473,848	11,004,022
			14,428,768	29,993,346	10,575,778	54,997,892

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2011.

31 December 2010

'000 RUB	Average interest rate: Contractual	Effective	Less than 1 year	1-5 years	Over 5 years	Total
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	6,252,162	7,111,725	13,363,887
RUB	CBR rate+3%	10.75%	104,123	832,992	728,871	1,665,986
USD*	10%	10%	-	1,134,975	2,239,275	3,374,250
USD	Libor + 5.5% / 7.81%	8.68%	66,516	3,558,420	1,547,182	5,172,118
EUR*	5.00% - 6.25%	5.94%	173,120	194,216	-	367,336
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	280,000	420,000	-	700,000
Unsecured other loans:						
RUB*	0.00% - 0.10%	0.00%	56,649	-	-	56,649
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	3,000,856	3,500,000	-	6,500,856
Finance lease liabilities						
RUB*	13.06%-48.90%	22.90%	113,458	65,189	-	178,647
EUR*	9.47%-33.23%	17.00%	162,353	125,989	-	288,342
USD*	6.30%-21.73%	13.50%	29,325	1,148	-	30,473
Other*	18.00%-26.00%	22.00%	2,171	2,339	-	4,510
Trade and other payables		0.00%-6.15%	5,222,403	194,261	-	5,416,664
Future interests**		-	2,814,880	7,175,234	554,654	10,544,768
			12,025,854	23,456,925	12,181,707	47,664,486

*Fixed rate

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

30 June 2011	**Average interest rate**					
'000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.75% - 10.00%	9.29%	7	370,832	262,584	633,423
RUB*	CBR rate+3%	10.75%	9,627	38,505	28,879	77,011
USD	Libor + 5.5% / 7.81%	8.26%	727	124,664	68,026	193,417
EUR*	5.25% - 17.5%	8.23%	22,480	6,104	-	28,584
EUR	Euribor+ 7.75%	8.75%	4,542	-	-	4,542
Unsecured bank loans:						
RUB*	8.00% - 9.75%	9.74%	20,115	4,987	-	25,102
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.12%	1,131	-	321	1,452
Unsecured bond issues:						
RUB*	9.25% - 10.50%	9.90%	53,457	247,828	-	301,285
Finance lease liabilities						
RUB*	13.70-48.90%	31.30%	2,871	3,541	-	6,412
EUR*	9.50-27.3%	18.40%	3,288	2,935	-	6,223
USD*	6.30-15.95%	11.00%	201	-	-	201
Other*	18.00%-26.00%	22.00%	133	79	-	212
Trade and other payables		-	282,746	6,358	-	289,104
Future interests**		-	112,596	262,467	16,877	391,940
			513,921	1,068,300	376,687	1,958,908

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2011.

31 December 2010	Average interest rate					
'000 USD	Contractual	Effective	Less than 1 year	1-5 years	Over 5 years	Total
Secured bank loans:						
RUB*	8.75%-10.00%	9.15%	-	205,144	233,348	438,492
RUB	CBR rate+3%	10.75%	3,416	27,332	23,916	54,664
USD*	10.00%	10.00%	-	37,241	73,475	110,716
USD	Libor+5.50%/ 7.81%	8.68%	2,184	116,756	50,766	169,706
EUR*	5.00% - 6.25%	5.94%	5,680	6,373	-	12,053
Unsecured bank loans:						
RUB*	9.00% - 9.75%	9.75%	9,187	13,781	-	22,968
Unsecured other loans:						
RUB*	0.0%-0.10%	0.00%	1,859	-	-	1,859
Unsecured bond issues:						
RUB*	9.25%-13.5%	11.73%	98,463	114,841	-	213,304
Finance lease liabilities						
RUB*	13.06%-48.90%	22.90%	3,723	2,140	-	5,863
EUR*	9.47%-33.23%	17.00%	5,327	4,133	-	9,460
USD*	6.30%-21.73%	13.50%	962	38	-	1,000
Other*	18.00%-26.00%	22.00%	71	76	-	147
Trade and other payables		0.00%-6.15%	171,355	6,374	-	177,729
Future interests**		-	92,360	235,432	18,199	345,991
			394,587	769,661	399,704	1,563,952

*Fixed rate

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

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian

Rouble (RUB), but also Euro, Estonian Krone (EEK) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are Euro and USD.

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

Exposure to currency risk

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

30 June 2011 '000 RUB	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	7,528,327	1,054,864	-	-
Originated loans	159,128	40,468	-	425
Secured bank loans	(19,945,987)	(930,041)	(5,430,360)	-
Unsecured bank loans	(704,738)	-	-	-
Unsecured other loans	(40,759)	-	-	-
Unsecured bond issues	(8,458,849)	-	-	-
Finance lease liabilities	(180,004)	(174,723)	(5,643)	(5,955)
Trade and other payables	(7,773,192)	(86,927)	(256,692)	-
Gross balance sheet exposure	(29,416,074)	(96,359)	(5,692,695)	(5,530)

31 December 2010 '000 RUB	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	4,137,781	1,077,498	6	681
Originated loans	142,543	-	-	-
Secured bank loans	(15,029,873)	(367,336)	(8,546,368)	-
Unsecured bank loans	(700,000)	-	-	-
Unsecured other loans	(56,649)	-	-	-
Unsecured bond issues	(6,500,856)	-	-	-
Finance lease liabilities	(178,647)	(288,342)	(30,473)	(4,510)
Trade and other payables	(4,758,403)	(359,171)	(297,071)	(2,019)
Gross balance sheet exposure	(22,944,104)	62,649	(8,873,906)	(5,848)

30 June 2011 ’000 USD	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	268,143	37,572	-	-
Originated loans	5,668	1,441	-	15
Secured bank loans	(710,433)	(33,126)	(193,418)	-
Unsecured bank loans	(25,102)	-	-	-
Unsecured other loans	(1,452)	-	-	-
Unsecured bond issues	(301,285)	-	-	-
Finance lease liabilities	(6,412)	(6,223)	(201)	(212)
Trade and other payables	(276,865)	(3,096)	(9,143)	-
Gross balance sheet exposure	(1,047,738)	(3,432)	(202,762)	(197)

31 December 2010 ’000 USD	**RUB-denominated**	**EUR-denominated**	**USD-denominated**	**Other-denominated**
Trade and other receivables	135,768	35,355	-	22
Originated loans	4,677	-	-	-
Secured bank loans	(493,156)	(12,053)	(280,422)	-
Unsecured bank loans	(22,968)	-	-	-
Unsecured other loans	(1,859)	-	-	-
Unsecured bond issues	(213,304)	-	-	-
Finance lease liabilities	(5,863)	(9,460)	(1,000)	(147)
Trade and other payables	(156,131)	(11,785)	(9,747)	(66)
Gross balance sheet exposure	(752,836)	2,057	(291,169)	(191)

The following significant exchange rates applied during the period:

	30 June 2011 RUB	**31 December 2010 RUB**
1 USD equals	28.0758	30.4769
1 Euro equals	40.3870	40.3331
1 UAH equals	3.5142	3.8283

Sensitivity analysis

A 10% strengthening of RUB against the above currencies would have increased profit by RUB 579,358 thousand / USD 20,636 thousand. A 10% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

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

Profile

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

'000 RUB	**Carrying amount**	
	30 June 2011	**31 December 2010**
Fixed rate instruments		
Financial assets	266,266	187,099
Financial liabilities	(28,157,043)	(24,864,950)
	(27,890,777)	(24,677,851)
Variable rate instruments		
Financial liabilities	(7,720,016)	(6,838,104)

'000 USD	**Carrying amount**	
	30 June 2011	**31 December 2010**
Fixed rate instruments		
Financial assets	9,484	6,139
Financial liabilities	(1,002,894)	(815,862)
	(993,410)	(809,723)
Variable rate instruments		
Financial liabilities	(274,970)	(224,370)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the six months 2010.

’000 RUB	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2011		
Variable rate instruments	(77,200)	77,200
Cash flow sensitivity	(77,200)	77,200
Six months ended 30 June 2010		
Variable rate instruments	(63,742)	63,742
Cash flow sensitivity	(63,742)	63,742

’000 USD	Profit or loss	
	100 bp increase	100 bp decrease
Six months ended 30 June 2011		
Variable rate instruments	(2,750)	2,750
Cash flow sensitivity	(2,750)	2,750
Six months ended 30 June 2010		
Variable rate instruments	(2,043)	2,043
Cash flow sensitivity	(2,043)	2,043

(e) Fair values versus carrying amounts

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

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

'000 RUB	Note	Carrying amount 30 June 2011	Fair value 30 June 2011	Carrying amount 31 December 2010	Fair value 31 December 2010
Financial assets					
Available-for-sale financial assets	17	22,406	22,406	18,595	18,595
Loans and receivables		8,783,212	8,783,212	5,358,509	5,358,509
Held to maturity investments	17	43,839	43,839	25,961	25,961
Cash and cash equivalents	21	1,531,141	1,531,141	1,327,139	1,327,139
Restricted cash	22	316,239	316,239	191,676	191,676
		10,696,837	10,696,837	6,921,880	6,921,880
Financial liabilities					
Secured bank loans	25	(26,306,388)	(26,025,294)	(23,943,577)	(26,484,350)
Unsecured bank loans	25	(704,738)	(702,772)	(700,000)	(728,078)
Unsecured other loans	25	(40,759)	(33,996)	(56,649)	(52,943)
Unsecured bond issues	25	(8,458,849)	(8,430,525)	(6,500,856)	(6,935,497)
Trade and other payables	27	(8,116,811)	(8,116,811)	(5,416,664)	(5,416,664)
Finance lease liabilities	25	(366,325)	(366,325)	(501,972)	(501,972)
		(43,933,870)	(43,675,723)	(37,119,718)	(40,119,504)

’000 USD	Note	Carrying amount 30 June 2011	Fair value 30 June 2011	Carrying amount 31 December 2010	Fair value 31 December 2010
Financial assets					
Available-for-sale financial assets	17	798	798	610	610
Loans and receivables		312,840	312,840	175,822	175,822
Held to maturity investments	17	1,561	1,561	852	852
Cash and cash equivalents	21	54,536	54,536	43,546	43,546
Restricted cash	22	11,263	11,263	6,289	6,289
		380,998	380,998	227,119	227,119
Financial liabilities					
Secured bank loans	25	(936,977)	(926,965)	(785,631)	(868,997)
Unsecured bank loans	25	(25,102)	(25,031)	(22,968)	(23,889)
Unsecured other loans	25	(1,452)	(1,211)	(1,859)	(1,737)
Unsecured bond issues	25	(301,285)	(300,277)	(213,304)	(227,566)
Trade and other payables	27	(289,104)	(289,103)	(177,729)	(177,730)
Finance lease liabilities	25	(13,048)	(13,048)	(16,470)	(16,470)
		(1,566,968)	(1,555,635)	(1,217,961)	(1,294,889)

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

	30 June 2011	31 December 2010
Loans and borrowings	8.0% - 10.0%	6.4% - 7.0%
Leases	6.30% - 48.90%	6.30% - 49.70%

(f) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

(g) Capital management

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

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

	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 RUB	'000 RUB	'000 USD	'000 USD
Total liabilities	60,906,668	53,076,124	2,169,365	1,741,519
Less: cash and cash equivalents	(1,531,141)	(1,327,139)	(54,536)	(43,546)
Net liabilities	59,375,527	51,748,985	2,114,829	1,697,973
Total equity	52,328,417	53,143,556	1,863,826	1,743,732
Net liabilities to capital ratio	1.13	0.97	1.13	0.97

There were no changes in the Group's approach to capital management during the period.

29 Operating leases

Non-cancellable operating lease rentals are payable as follows:

’000 RUB	**30 June 2011**	**31 December 2010**
Less than one year	155,921	147,657
Between one and five years	444,109	404,278
More than five years	1,948,878	1,360,368
	2,548,908	1,912,303

’000 USD	**30 June 2011**	**31 December 2010**
Less than one year	5,554	4,845
Between one and five years	15,818	13,265
More than five years	69,415	44,636
	90,787	62,746

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

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the six months ended 30 June 2011 an amount of RUB 58,519 thousand / USD 2,044 thousand was recognised as an expense in the statement of comprehensive income in respect of non-cancellable operating leases. During the six months ended 30 June 2011 an amount of RUB 24,171 thousand / USD 844 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

30 Commitments

At 30 June 2011, the Group was committed to purchase property, plant and equipment for approximately RUB 3,358,620 thousand / USD 119,627 thousand (31 December 2010: RUB 2,752,120 thousand / USD 90,302 thousand) net of VAT, including commitment to purchase equipment for a new cement plant for RUB 988,831 thousand / USD 35,220 thousand (31 December 2010: RUB 1,634,910 thousand / USD 53,644 thousand) and commitment to purchase equipment for a new brick-making plant for RUB 2,314,447 thousand / USD 82,436 thousand (31 December 2010: RUB 1,077,659 thousand / USD 35,360 thousand).

31 Contingencies

(a) Insurance

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

(b) Litigation

In April 2009 one of the Group subsidiaries entered into litigation with CERIC S.A. in Stockholm arbitration court. At 29 July 2011 Stockholm arbitration court declared its final award. The cumulated loss for one of the Group subsidiaries based on this award was RUB 41,130 thousand / USD 1,465 thousand. The loss was recognized as write off of part of the advance issued to CERIC S.A. in the amount of RUB 35,977 thousand / USD 1,257 thousand and accrual for the court fees and costs of RUB 5,153 thousand / USD 184 thousand (refer also to note 20).

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

(c) Taxation contingencies

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

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

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

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in forested areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production and extraction of clay in ten areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated interim financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2011 to 2027.

32 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2010: 7.62%).

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (refer to note 9):

	Six months ended 30 June			
	2011	2010	2011	2010
	’000 RUB	’000 RUB	’000 USD	’000 USD
Salaries and bonuses	198,085	179,542	6,920	5,792

(ii) Other transactions management and close family members

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Sale of goods and services provided	19,065	3,036	(5,060)	(32,799)	666	101	(180)	(1,076)
Purchase of goods and services	69,026	32	60,030	4,370	2,411	1	2,138	143
Loans received (included into unsecured other loans – refer to note 25)	13,309	6,300	4,421	14,059	465	210	157	461
Loans given	-	305	34,422	33,922	-	10	1,226	1,113
Purchase of shares	38	-	-	-	1	-	-	-
Sales of note	-	-	15,412	6,025	-	-	549	198

Loans to executive directors amounting to RUB 30,782 thousand / USD 1,096 thousand are included in "employee receivables" and "other receivables" (31 December 2010: RUB 30,200 thousand / USD 991 thousand) (refer to note 20). Interest of 8.5% - 13% p.a. was payable on these loans. The loans were expected to be repaid within 1-4 years.

(c) Transactions with other related parties

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

(i) Revenue

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2011	30 June 2010	30 June 2011	31 December 2010	30 June 2011	30 June 2010	30 June 2011	31 December 2010
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	295,341	6,779	343,245	(31,994)	10,318	225	12,226	(1,050)
Companies significantly influenced by the Group key management	21,869	32,143	1,346	9,470	764	1,069	48	311
	317,210	38,922	344,591	(22,524)	11,082	1,294	12,274	(739)

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 period ended		**Outstanding balance**		**Transaction value period ended**		**Outstanding balance**	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Purchase of goods and services from:								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	21,249	17,958	(15,912)	14,839	742	597	(567)	487
Companies significantly influenced by the Group management	5,970	3,207	8	5,131	209	107	-	168
	27,219	21,165	(15,904)	19,970	951	704	(567)	655

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.

(iii) Loans

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**	**'000 USD**	**'000 USD**	**'000 USD**	**'000 USD**
Loans received (included into unsecured other loans – refer to note 25):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	1,675,000	23,970	23,970	-	55,708	854	786
Companies significantly influenced by the Group management	-	-	-	-	-	-	-	-
Loans provided by A.Molchanov		1,509,281	-	-	-	50,196	-	-
	-	3,184,281	23,970	23,970	-	105,904	854	786
Loans given (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	(421)	(421)	-	-	(15)	(14)
Companies significantly influenced by the Group management	(1,630)	-	(1,429)	(599)	(57)	-	(51)	(20)
	(1,630)	-	(1,850)	(1,020)	(57)	-	(66)	(34)
	(1,630)	3,184,281	22,120	22,950	(57)	105,904	788	752

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

	Transaction value period ended		**Outstanding balance**		**Transaction value period ended**		**Outstanding balance**	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interests (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	12	17,849	-	-	-	594	-	-
Companies significantly influenced by the Group management	-	67	-	-	-	2	-	
	12	17,916	-	-	-	596	-	-

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

(iv) Other investments

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Non-current available-for-sale investments stated at cost (included into other investments – originated loans category– refer to note 17):								
Companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	-	-	563	563	-	-	20	18
Companies significantly influenced by the Group management	-	-	3	3	-	-	-	-
	-	-	566	566	-	-	20	18

(v) Transactions with shares / promissory notes

Purchase of shares from

	Transaction value period ended		Outstanding balance		Transaction value period ended		Outstanding balance	
	30 June 2011	**30 June 2010**	**30 June 2011**	**31 December 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**31 December 2010**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Companies significantly influenced by the Group management	574	-	-	-	20	-	-	-
	574	-	-	-	20	-	-	-

33 Significant subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 30 June 2011	Ownership/ voting interest 31 December 2010
OAO “Gatchinsky DSK”	Russia	100.00%	100.00%
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”	Russia	100.00%	100.00%
OOO “GDSK”	Russia	100.00%	100.00%
OAO “LSR”	Russia	100.00%	100.00%
OAO NPO “Keramika”	Russia	100.00%	100.00%
OAO “Granit-Kuznechnoye”	Russia	100.00%	100.00%
OAO “Rudas”	Russia	100.00%	100.00%
“Leningrad river port Open Joint-Stock Company”	Russia	100.00%	100.00%
JSC “Scanex”	Russia	100.00%	100.00%
ZAO “Vertikal”	Russia	100.00%	100.00%
OAO “PO “Barrikada”	Russia	100.00%	100.00%
ZAO “DSK “Blok”	Russia	100.00%	100.00%
OJSC “UM-260”	Russia	100.00%	100.00%
OOO “Obyedineniye 45”	Russia	100.00%	100.00%
ZAO “MSR”	Russia	100.00%	100.00%
OOO “GATP №1”	Russia	100.00%	100.00%
JSC “Pobeda LSR”	Russia	100.00%	100.00%
OOO “Aeroc SPb”	Russia	100.00%	100.00%
LLC “AEROC”	Ukraine	100.00%	100.00%
OOO “Osobnyak”	Russia	100.00%	100.00%
OOO “Kvartira LuxServis”	Russia	100.00%	100.00%
JSC “Construction trust № 28”	Russia	79.17%	79.17%
OOO “Construction trust № 28”*	Russia	50.00%	50.00%
ZAO “Promyshlenny leasing”	Russia	100.00%	100.00%
ZAO NPO “VSR”	Russia	80.00%	80.00%
OOO “SPb GDC “YUNA”	Russia	100.00%	100.00%
DNP “Alakul”**	Russia	-	-
“DNP “Penaty-2”**	Russia	-	-
ZAO “MSR-Butovo”	Russia	100.00%	100.00%
OAO “Zavod ZhBI-6”	Russia	57.80%	57.70%
OOO “GDSK Invest Primorsky”	Russia	100.00%	100.00%
ZAO “Zarechye”	Russia	100.00%	100.00%
OOO “LenSpecSMO “Promstroymontazh”	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO “VSMP”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2011	Ownership/ voting interest 31 December 2010
OOO “BaltStroyKomplekt”	Russia	100.00%	100.00%
OOO “Obyedineniye 45-M”	Russia	100.00%	100.00%
OOO “LSR-Invest”	Russia	100.00%	100.00%
ZAO “Chifko plus”	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektetnwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
MUC Campus V GmbH	Germany	70.00%	-
Bereiteranger Vermogensverwaltungs GmbH	Germany	70.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co.	Germany	70.00%	70.00%
JSC “A Plus Estate”	Russia	100.00%	100.00%
ZAO “INGEOKOM S-Pb”	Russia	100.00%	100.00%
OAO “Stroicorporatciya”	Russia	100.00%	100.00%
OAO MTO “ARHPROEKT”	Russia	100.00%	100.00%
LLC “LSR - UKRAINE”	Ukraine	100.00%	100.00%
OOO “Velikan-XXI vek”	Russia	100.00%	100.00%
OAO “ZAVOD ELEKTRIK”	Russia	100.00%	100.00%
OOO “ZAVOD “STROIFARFOR”	Russia	100.00%	100.00%
OOO “BSK Invest-3”**	Russia	20.00%	20.00%
Limited Liability Company “Cement”	Russia	100.00%	100.00%
ZAO “Kazanskaya, 36”	Russia	100.00%	100.00%
OOO “Ozherel’evskaya keramika”	Russia	100.00%	100.00%
OOO “Okhtinskiy Bereg”	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
OOO “Ohta 25”	Russia	55.00%	55.00%
OOO Agentstvo “TRIADA”	Russia	100.00%	100.00%
Limited Liability Company “Barrikada”	Russia	100.00%	100.00%
OOO “Promrezerv”	Russia	100.00%	100.00%
Open Joint-Stock Company “BETFOR”	Russia	100.00%	98.79%
OOO “SMU “NOVA-stroy”	Russia	100.00%	100.00%
OOO “PKU NOVA-StroyProekt”	Russia	100.00%	100.00%
ZAO “NOVA-stroy”	Russia	100.00%	100.00%
OOO “Granit-Invest”	Russia	100.00%	100.00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2011	Ownership/ voting interest 31 December 2010
OOO “Uralscheben”	Russia	100.00%	100.00%
JSC “Aeroc Obuchow”	Ukraine	97.36%	97.36%
OOO “Kentavr Management”	Russia	100.00%	100.00%
OOO “Vsevolozhskie Ugodia”	Russia	100.00%	99.99%
OOO “Rybkhoz”	Russia	100.00%	99.99%
OOO “Kompleks”	Russia	100.00%	99.99%
OOO “MSR Perspectiva”	Russia	100.00%	-
OAO “Obuhovsky zavod SMiK”	Russia	85.94%	-
OAO “Pavlovskaya Keramika”	Russia	93.44%	-
OOO “OPTIMA”	Russia	100.00%	99.99%
OOO “LSR-Stroy”	Russia	100.00%	100.00%
ZAO “KUZZhBI”	Russia	100.00%	99.99%
ZAO “Martynovka”	Russia	-	100.00%
OOO “Karier Petrovskiy”	Russia	-	100.00%
JSC “HONKAVAARAN MAASTORAKENNUS”	Russia	-	100.00%

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

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

34 Events subsequent to the reporting date

Financing events

In July 2011 one of the Group subsidiaries entered into a loan agreements with OAO “Sberbank”. The total amount of non-revolving credit lines granted is limited to RUB 4,807,451 thousand / USD 171,231 thousand. The loan is to be repaid no later June 2020.

In July 2011 the Group issued three years bonds on domestic market. The total amount of the issue is RUB 2,000,000 thousand / USD 71,236 thousand. Coupon rate equals to 8.47%.

In July 2011 the Group fully paid the sixth coupon payment of its Series 02 bonds totalling RUB 3,000,000 thousand / USD 106,854 thousand.

In July 2011 one of the Group subsidiaries repaid a non-revolving credit line in OAO “Svedbank” with a nominal value RUB 183,828 thousand / USD 6,548 thousand.

In August 2011 one of the Group subsidiaries repaid a non-revolving credit lines from OAO “Rosselhoz bank” with a nominal value of RUB 1,227,000 thousand / USD 43,703 thousand.

In August 2011 one of the Group subsidiaries entered into a loan agreements with OAO “Sberbank”. The total amount of non-revolving credit lines granted is limited to RUB 1,049,603 thousand / USD 37,385 thousand. The loan is to be repaid no later July 2021.

In August 2011 one of the Group subsidiaries entered into a letter of credit agreement with OAO “Bank VTB”. The total amount of agreement is RUB 36,871 thousand / USD1,313 thousand.

In August 2011 one of the Group subsidiaries early repaid a non-revolving credit line in Merkur Bank KGaA with a nominal value RUB 181,742 thousand / USD 6,473 thousand.

In August 2011 one of the Group subsidiaries entered into a loan agreements with Deutsche Pfandbriefbank AG. The total amount of non-revolving credit lines granted is limited to RUB 767,757 thousand / USD 27,346 thousand. The loan is to be repaid no later 31 March 2013.

In September 2011 the Company extended a loan agreement with ZAO “Raiffeisen bank”. The total amount of non-revolving credit line granted is limited to RUB 700,000 thousand / USD 24,933 thousand. The loan is to be repaid no later 02 September 2013.

Operating events

In July 2011 the Group has acquired OOO “436 KNI”, a company that is engaged in the crushed granite production in Leningrad region.

Due to the recent completion of the acquisition the Group has not finalised its accounting for acquisition. As at the date these financial statements are authorised for issue, the Group has determined the following values of assets and liabilities acquired as at the date of acquisition:

	Recognised provisional fair values on acquisition	
	’000 RUB	**’000 USD**
Non-current assets		
Property, plant and equipment	944,101	33,627
Deferred tax assets	584	21
Current assets		
Inventory	41,078	1,463
Trade and other receivables	24,005	855
Cash and cash equivalents	1,883	67
Non-current liabilities		
Deferred tax liability	(1,092)	(39)
Loans and borrowings	(3,000)	(107)
Current liabilities		
Trade and other payables	(58,613)	(2,088)
Net identifiable assets, liabilities and contingent liabilities	**948,946**	**33,799**
Goodwill on acquisition	10,873	387
Consideration paid	959,819	34,186
Cash acquired	1,883	66
Prepayment	(478,968)	(17,060)
Net cash outflow	(477,085)	(16,994)

In July 2011 the Group has acquired OOO "KIN Centr", a company that is engaged in construction activities in Saint Petersburg. Based on the preliminary unaudited independent appraisal's report, the acquisition of OOO "KIN Centr" had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUB	**'000 USD**
Non-current assets		
Intangible assets	11,096	395
Current assets		
Inventory	130,817	4,659
Trade and other receivables	212,999	7,587
Cash and cash equivalents	786	28
Other current assets	288,414	10,273
Non-current liabilities		
Deferred tax liabilities	(2,185)	(78)
Current liabilities		
Trade and other payables	(546,531)	(19,466)
Other current liabilities	(59,044)	(2,103)
Net identifiable assets, liabilities and contingent liabilities	36,352	1,295
Negative goodwill on acquisition	(35,752)	(1,274)
Consideration paid and liability incurred	600	21
Cash acquired	(786)	(28)
Net cash inflow	(192)	(7)

35 Supplementary disclosures

The following Group entities are included in Operating segments and Business units disclosures:

Operating segment	Business unit	Entity
Construction	Construction SPb	OAO “Gatchinsky DSK”
		ZAO “DSK “Blok”
	Project management	OOO “LSR-Stroy”
	Construction Moscow	OOO “MSR Perspectiva”
		ZAO “MSR”
	Construction Ural	Open Joint-Stock Company “BETFOR”
		ZAO “KUZZhBI”
		OOO “SMU “NOVA-stroy”
		OOO “PKU NOVA-StroyProekt”
Real Estate Development	Business Class and Mass Market Real Estate	OOO “ZAVOD “STROIFARFOR”
		OAO “LSR”
		OAO NPO “Keramika”
		OOO “GDSK Invest Primorsky”
		OOO “GDSK”
		OOO “Okhtinskiy Bereg”
	Real Estate in Western Europe	LSR Europe GmbH
		Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH
		LSR Vermögensverwaltungs GmbH
		Oefelestrasse Projektetnwicklungs GmbH & Co KG
		Saargemunder Strabe Wohnbau Beteiligungs-GmbH
		Projektgesellschaft Bayerstr. 79 mbH
		Saargemunder Strabe Wohnbau Gmbh & Co. KG
		Bereiteranger Projektentwicklung GmbH & Co.
		Bereiteranger Vermogensverwaltungs GmbH
		MUC Campus V GmbH
	Real Estate Urals	OOO “Promrezerv”
		ZAO “NOVA-stroy”
	Real Estate in Moscow	ZAO “MSR”
		OOO Agentstvo “TRIADA”
		OOO “Velikan-XXI vek”
		OOO “Kentavr Management”
		ZAO “MSR-Butovo”
	Elite Real Estate	ZAO “INGEOKOM S-Pb”
		ZAO NPO “VSR”
		OAO “ZAVOD ELEKTRIK”
		ZAO “Martynovka
		JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”

Operating segment	Business unit	Entity
		DNP “Alakul”
		“DNP “Penaty-2”
		ZAO “Zarechye”
		OOO “Osobnyak”
		OAO “Stroicorporatciya”
		Limited Liability Company Smolniy District
		OOO “SPB GDC “YUNA”
		OOO “LenSpecSMO “Promstroymontazh”
	Other	OOO “Kvartira LuxServis”
Aggregates	Sand	OOO “VSMP”
		“Leningrad river port Open Joint-Stock Company”
		OOO “Vsevolozhskie Ugodia”
		OOO “OPTIMA”
		OOO “Kompleks”
		OOO “Rybkhoz”
		OAO “Rudas”
	Crushed Granite	OAO “Granit-Kuznechnoye”
		OOO “Karier Petrovskiy”
		JSC “HONKAVAARAN MAASTORAKENNUS”
		OOO “Granit-Invest”
	Crushed Granite Ural	OOO “Uralscheben”
Building Materials	Other	OOO “BaltStroyKomplekt”
		OOO “Ohta 25”
		OOO “BSK Invest-3”
		ZAO “Vertikal”
	Ready-mix Concrete SPb	OOO “Obyedineniye 45”
	Aerated Concrete	JSC “Scanex”
		OOO “Aeroc SPb”
		JSC “Aeroc Obuchow”
		LLC “AEROC”
	Reinforced Concrete SPb	Limited Liability Company “Barrikada”
		OAO “Obuhovsky zavod SMiK”
		OAO “PO “Barrikada”
	Reinforced& Ready-mix Concrete Moscow	OAO “Zavod ZhBI-6”
		OOO “Obyedineniye 45-M”
	Brick	JSC “Pobeda LSR”
		OAO “Pavlovskaya Keramika”
		OOO “Ozherel’evskaya keramika”
	Cement	ZAO “Chifko plus”
		Limited Liability Company “Cement”
Commercial Real Estate	Commercial Real Estate	JSC “A Plus Estate”
Construction Services	Transportation	OOO “GATP №1”
	Pile foundation and construction	JSC “Construction trust № 28”

Operating segment	Business unit	Entity
		OOO “Construction trust № 28 ”
	Tower Cranes	OJSC “UM-260”
Other Entities	Other entities	ZAO “Kazanskaya, 36”
		ZAO “Promyshlenny leasing”
		OJSC LSR Group
		OAO MTO “ARHPROEKT”
		Lsr Group Ltd
		OOO “LSR-Invest”
		LLC “LSR - UKRAINE”

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

For 6 months ended 30 June 2011 ’000 RUB	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**EBITDA***
Brick	653,584	3,378	**656,962**	(92,589)	37,723	**(54,866)**
Reinforced Concrete SPb	1,795,646	106,216	**1,901,862**	135,701	87,999	**223,700**
Reinforced&Ready-mix Concrete Moscow	622,428	289,985	**912,413**	(75,140)	60,471	**(14,669)**
Ready-mix Concrete SPb	1,165,251	72,571	**1,237,822**	117,165	98,844	**216,009**
Aerated Concrete	743,289	11,670	**754,959**	45,797	81,622	**127,419**
Cement	603,151	326,458	**929,609**	(75,592)	13,760	**(61,832)**
Other	562,875	26,821	**589,696**	(5,194)	6,832	**1,638**
Eliminations	-	(270,754)	**(270,754)**	4,328	-	**4,328**
Building Materials	**6,146,224**	**566,345**	**6,712,569**	**54,476**	**387,251**	**441,727**
Construction SPb	3,081,853	562,819	**3,644,672**	229,378	192,887	**422,265**
Project management	27,780	-	**27,780**	2,847	44	**2,891**
Construction Moscow	1,374,772	8,975	**1,383,747**	273,886	163	**274,049**
Construction Ural	475,355	277,835	**753,190**	(161,120)	100,458	**(60,662)**
Construction	**4,959,760**	**849,629**	**5,809,389**	**344,991**	**293,552**	**638,543**
Sand	812,655	88,889	**901,544**	490,067	105,937	**596,004**
Crushed Granite	499,841	326,133	**825,974**	(53,548)	130,306	**76,758**
Crushed Granite Ural	-	-	-	(25,730)	20,370	**(5,360)**
Eliminations		(23,071)	**(23,071)**			-
Aggregates	**1,312,496**	**391,951**	**1,704,447**	**410,789**	**256,613**	**667,402**
Tower Cranes	501,726	27,040	**528,766**	60,405	109,104	**169,509**
Transportation	8,289	101,880	**110,169**	6,223	18,719	**24,942**
Pile Foundation and Construction	304,507	71,870	**376,377**	10,655	15,466	**26,121**
Eliminations	-	(245)	**(245)**	-	-	-
Construction Services	**814,522**	**200,545**	**1,015,067**	**77,283**	**143,289**	**220,572**
Elite Real Estate	2,089,075	-	**2,089,075**	793,585	9,759	**803,344**
Business Class and Mass Market Real Estate	4,641,717	13,384	**4,655,101**	976,389	1,221	**977,610**
Real Estate Urals	1,072,514	-	**1,072,514**	135,942	511	**136,453**
Real Estate Moscow	504,439	-	**504,439**	86,903	6,633	**93,536**
Real Estate in Western Europe	279,145	562	**279,707**	14,258	161	**14,419**
Other	51,128	14,996	**66,124**	5,653	599	**6,252**
Eliminations	-	(7,780)	**(7,780)**	2,570	-	**2,570**
Real Estate Development	**8,638,018**	**21,162**	**8,659,180**	**2,015,300**	**18,884**	**2,034,184**
Commercial Real Estate	**81,871**	**-**	**81,871**	**38,291**	**492**	**38,783**
Other entities	**2,087**	**-**	**2,087**	**-**	**49,076**	**49,076**
Unallocated income and expenses	175,733	-	**175,733**	(583,559)	-	**(583,559)**
Transportation revenue	832,844	-	**832,844**	-	-	-
Eliminations	-	(2,029,632)	**(2,029,632)**	327,705	-	**327,705**
Consolidated	**22,963,555**	**-**	**22,963,555**	**2,685,276**	**1,149,157**	**3,834,433**

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

For 6 months ended 30 June 2011 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	EBITDA*
Brick	22,833	118	**22,951**	(3,235)	1,318	**(1,917)**
Reinforced Concrete SPb	62,732	3,711	**66,443**	4,741	3,074	**7,815**
Reinforced&Ready-mix Concrete Moscow	21,745	10,131	**31,876**	(2,625)	2,113	**(512)**
Ready-mix Concrete SPb	40,709	2,535	**43,244**	4,093	3,453	**7,546**
Aerated Concrete	25,967	408	**26,375**	1,600	2,852	**4,452**
Cement	21,071	11,405	**32,476**	(2,641)	481	**(2,160)**
Other	19,664	937	**20,601**	(181)	238	**57**
Eliminations	-	(9,459)	**(9,459)**	151	-	**151**
Building Materials	**214,721**	**19,786**	**234,507**	**1,903**	**13,529**	**15,432**
Construction SPb	107,666	19,662	**127,328**	8,013	6,739	**14,752**
Project management	971	-	**971**	99	2	**101**
Construction Moscow	48,028	314	**48,342**	9,568	6	**9,574**
Construction Ural	16,607	9,706	**26,313**	(5,628)	3,508	**(2,120)**
Construction	**173,272**	**29,682**	**202,954**	**12,052**	**10,255**	**22,307**
Sand	28,391	3,105	**31,496**	17,121	3,701	**20,822**
Crushed Granite	17,462	11,394	**28,856**	(1,871)	4,552	**2,681**
Crushed Granite Ural	-	-	**-**	(899)	712	**(187)**
Eliminations	-	(806)	**(806)**	-	-	**-**
Aggregates	**45,853**	**13,693**	**59,546**	**14,351**	**8,965**	**23,316**
Tower Cranes	17,528	945	**18,473**	2,110	3,812	**5,922**
Transportation	290	3,559	**3,849**	217	654	**871**
Pile Foundation and Construction	10,638	2,511	**13,149**	373	540	**913**
Eliminations	-	(9)	**(9)**	-	-	**-**
Construction Services	**28,456**	**7,006**	**35,462**	**2,700**	**5,006**	**7,706**
Elite Real Estate	72,983	-	**72,983**	27,724	341	**28,065**
Business Class and Mass Market Real Estate	162,161	468	**162,629**	34,111	43	**34,154**
Real Estate Urals	37,469	-	**37,469**	4,749	18	**4,767**
Real Estate Moscow	17,623	-	**17,623**	3,036	232	**3,268**
Real Estate in Western Europe	9,752	20	**9,772**	498	6	**504**
Other	1,785	523	**2,308**	197	20	**217**
Eliminations	-	(272)	**(272)**	90	-	**90**
Real Estate Development	**301,773**	**739**	**302,512**	**70,405**	**660**	**71,065**
Commercial Real Estate	**2,860**	**-**	**2,860**	**1,338**	**17**	**1,355**
Other entities	**73**	**-**	**73**	**-**	**1,714**	**1,714**
Unallocated income and expenses	6,139	-	**6,139**	(20,387)	-	**(20,387)**
Transportation revenue	29,096	-	**29,096**	-	-	**-**
Eliminations	-	(70,906)	**(70,906)**	11,449	-	**11,449**
Consolidated	**802,243**	**-**	**802,243**	**93,811**	**40,146**	**133,957**

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

For 6 months ended 30 June 2010 '000 RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	EBITDA*
Brick	557,773	4,038	**561,811**	(107,966)	36,840	**(71,126)**
Reinforced Concrete SPb	884,024	54,467	**938,491**	(96,528)	82,331	**(14,197)**
Reinforced& Ready-mix Concrete Moscow	410,882	361,917	**772,799**	(106,196)	66,852	**(39,344)**
Ready-mix Concrete SPb	792,264	37,457	**829,721**	(56,726)	118,374	**61,648**
Aerated Concrete	672,989	16,783	**689,772**	(100,175)	112,098	**11,923**
Cement	525,701	253,842	**779,543**	(24,621)	17,950	**(6,671)**
Other	292,560	35,443	**328,003**	(10,074)	7,794	**(2,280)**
Eliminations	-	(195,998)	**(195,998)**	370	-	**370**
Building Materials	**4,136,193**	**567,949**	**4,704,142**	**(501,916)**	**442,239**	**(59,677)**
Construction SPb	4,166,793	121,335	**4,288,128**	871,619	193,822	**1,065,441**
Project management	-	-	**-**	-	-	**-**
Construction Moscow	718,471	-	**718,471**	78,970	-	**78,970**
Construction Ural	273,271	234,619	**507,890**	(87,735)	107,020	**19,285**
Construction	**5,158,535**	**355,954**	**5,514,489**	**862,854**	**300,842**	**1,163,696**
Sand	738,312	81,090	**819,402**	215,035	119,664	**334,699**
Crushed Granite	411,158	202,302	**613,460**	(109,693)	94,983	**(14,710)**
Crushed Granite Ural	3,956	119	**4,075**	(38,541)	20,714	**(17,827)**
Eliminations	-	(24,221)	**(24,221)**	-	-	**-**
Aggregates	**1,153,426**	**259,290**	**1,412,716**	**66,801**	**235,361**	**302,162**
Tower Cranes	392,566	58,827	**451,393**	31,591	106,701	**138,292**
Transportation	1,856	95,361	**97,217**	(2,536)	23,738	**21,202**
Pile Foundation and Construction	112,687	27,633	**140,320**	(17,151)	15,506	**(1,645)**
Eliminations	-	(504)	**(504)**	-	-	**-**
Construction Services	**507,109**	**181,317**	**688,426**	**11,904**	**145,945**	**157,849**
Elite Real Estate	1,288,409	2	**1,288,411**	557,896	9,319	**567,215**
Business Class and Mass Market Real Estate	4,247,583	12,525	**4,260,108**	1,046,826	1,171	**1,047,997**
Real Estate Ural	238,887	1,059	**239,946**	59,333	518	**59,851**
Real Estate in Moscow	-	-	**-**	(33,172)	3,867	**(29,305)**
Real Estate in Western Europe	151,799	-	**151,799**	1,719	200	**1,919**
Other	34,950	14,303	**49,253**	2,972	571	**3,543**
Eliminations	-	(2,483)	**(2,483)**	2,007	-	**2,007**
Real Estate Development	**5,961,628**	**25,406**	**5,987,034**	**1,637,581**	**15,646**	**1,653,227**
Commercial Real Estate	**70,924**	**-**	**70,924**	**13,639**	**562**	**14,201**
Other entities	**9,390**	**-**	**9,390**	**-**	**53,821**	**53,821**
Unallocated Expenses and income	122,532	-	**122,532**	(439,459)	-	**(439,459)**
Transportation revenue	596,972	-	**596,972**	-	-	**-**
Eliminations	-	(1,389,916)	**(1,389,916)**	77,507	-	**77,507**
Consolidated	**17,716,709**	**-**	**17,716,709**	**1,728,911**	**1,194,416**	**2,923,327**

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

For 6 months ended 30 June 2010 ’000 USD	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	EBITDA*
Brick	18,551	134	**18,685**	(3,591)	1,225	**(2,366)**
Reinforced Concrete SPb	29,401	1,811	**31,212**	(3,210)	2,738	**(472)**
Reinforced& Ready-mix Concrete Moscow	13,665	12,037	**25,702**	(3,532)	2,223	**(1,309)**
Ready-mix Concrete SPb	26,349	1,246	**27,595**	(1,887)	3,937	**2,050**
Aerated Concrete	22,383	558	**22,941**	(3,332)	3,728	**396**
Cement	17,484	8,442	**25,926**	(819)	597	**(222)**
Other	9,730	1,179	**10,909**	(335)	260	**(75)**
Eliminations	-	(6,518)	**(6,518)**	13	-	**13**
Building Materials	**137,563**	**18,889**	**156,452**	**(16,693)**	**14,708**	**(1,985)**
Construction SPb	138,581	4,035	**142,616**	28,989	6,446	**35,435**
Project management	-	-	-	-	-	-
Construction Moscow	23,895	-	**23,895**	2,626	-	**2,626**
Construction Ural	9,089	7,803	**16,892**	(2,918)	3,560	**642**
Construction	**171,565**	**11,838**	**183,403**	**28,697**	**10,006**	**38,703**
Sand	24,555	2,697	**27,252**	7,152	3,980	**11,132**
Crushed Granite	13,674	6,728	**20,402**	(3,648)	3,159	**(489)**
Crushed Granite Ural	132	4	**136**	(1,282)	689	**(593)**
Eliminations	-	(805)	**(805)**	-	-	-
Aggregates	**38,361**	**8,624**	**46,985**	**2,222**	**7,828**	**10,050**
Tower Cranes	13,056	1,956	**15,012**	1,050	3,549	**4,599**
Transportation	62	3,172	**3,234**	(84)	789	**705**
Pile Foundation and Construction	3,748	919	**4,667**	(570)	516	**(54)**
Eliminations	-	(17)	**(17)**	-	-	-
Construction Services	**16,866**	**6,030**	**22,896**	**396**	**4,854**	**5,250**
Elite Real Estate	42,850	-	**42,850**	18,555	310	**18,865**
Business Class and Mass Market Real Estate	141,268	417	**141,685**	34,816	39	**34,855**
Real Estate Ural	7,945	35	**7,980**	1,973	17	**1,990**
Real Estate in Moscow	-	-	-	(1,103)	129	**(974)**
Real Estate in Western Europe	5,049	-	**5,049**	57	7	**64**
Other	1,162	476	**1,638**	99	18	**117**
Eliminations	-	(83)	**(83)**	66	-	**66**
Real Estate Development	**198,274**	**845**	**199,119**	**54,463**	**520**	**54,983**
Commercial Real Estate	**2,359**	**-**	**2,359**	**454**	**19**	**473**
Other entities	**312**	**-**	**312**	**-**	**1,789**	**1,789**
Unallocated Expenses and income	4,075	-	**4,075**	(14,614)	-	(14,614)
Transportation revenue	19,854	-	**19,854**	-	-	-
Eliminations	-	(46,226)	**(46,226)**	2,578	-	2,578
Consolidated	**589,229**	**-**	**589,229**	**57,503**	**39,724**	**97,227**

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