JSC OPIN
and Subsidiaries

Independent Auditors' Report

Consolidated Interim Financial Statements
for the Six months ended 30 June 2007

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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

Management is responsible for the preparation of the consolidated interim financial statements that present fairly the interim financial position of the Group as of 30 June 2007 and the consolidated interim results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

On behalf of Group's management the consolidated interim financial statements for the six months ended 30 June 2007 were authorized for issue on 15 August 2007 by:

Sergey V. Bachin

General Director of JSC OPIN

Moscow
15 August 2007

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INDEPENDENT AUDITORS' REPORT

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

Report on the consolidated interim financial statements

We have audited the accompanying consolidated interim financial statements of JSC OPIN and subsidiaries (the "Group"), which comprise the consolidated interim balance sheet as of 30 June 2007, and the related consolidated interim statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated interim financial statements present fairly, in all material respects, the consolidated interim financial position of the Group as of 30 June 2007, and its consolidated interim financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

15 August 2007

Moscow

CONSOLIDATED INTERIM BALANCE SHEET
AS OF 30 JUNE 2007

	Notes	30 June 2007 '000 USD	31 December 2006 '000 USD
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	4	633	633
Intangible assets	5	316	122
Property, plant and equipment	6	104,113	93,967
Capital advances	7	578,887	463,237
Investment property	8	151,910	141,049
Land under development	9	1,050,667	404,353
Property under development	10	159,368	121,550
Value added tax recoverable		33,991	24,692
Deferred tax assets	21	9,918	6,836
		2,089,803	1,256,439
CURRENT ASSETS:			
Land held for sale	11	64,428	34,419
Goods under construction	12	36,720	-
Inventories		1,124	598
Advances paid		13,397	8,344
Value added tax recoverable		3,875	3,701
Receivables from customers under construction contracts	36	35,929	11,006
Trade accounts receivable		20,675	1,134
Other receivables and prepaid expenses	13, 36	5,298	2,878
Loans issued	14	25,640	23,560
Cash and cash equivalents	15, 36	211,410	313,400
		418,496	399,040
TOTAL ASSETS		2,508,299	1,655,479
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	407,811	338,035
Additional paid-in-capital	17	970,883	713,172
Land under development revaluation reserve	18	392,135	113,232
Retained earnings		138,118	97,282
		1,908,947	1,261,721
NON-CURRENT LIABILITIES:			
Deferred income tax liabilities	21	271,919	112,212
Long-term finance lease payable	22	11,934	10,539
Long-term loans	23, 36	44,009	45,590
		327,862	168,341
CURRENT LIABILITIES:			
Short-term loans and accrued interest	24	155,693	154,737
Short-term finance lease payable	22	366	285
Trade and other accounts payable	25	39,377	12,045
Tax liability, other than income tax		1,020	694
Current income tax liability		445	279
Payable to customers under construction contracts	36	57,141	50,399
Advances received from customers for goods under construction		7,297	-
Advances received from customers for land plots	36	10,151	6,978
		271,490	225,417
TOTAL EQUITY AND LIABILITIES		2,508,299	1,655,479

The notes on pages 9 to 43 form an integral part of these consolidated interim financial statements. Statement of management's responsibilities for the preparation and approval of the consolidated interim financial statements is presented on page 1. Independent auditors' report is presented on pages 2-3.

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
REVENUE			
Revenue under construction contracts	26, 36	45,593	21,022
Land sold	36	24,387	2,774
Hotel revenue		10,952	9,701
Rental income from investment property		1,814	1,698
Revenue on rendering other services	36	709	1,964
		83,455	37,159
COST OF SALES			
Cost of construction contracts	27	(31,324)	(12,081)
Cost of land sold		(16,408)	(2,531)
Cost of hotel services	28	(5,888)	(5,561)
Cost of rental services	29	(320)	(346)
Cost of other services	30	(350)	(1,642)
		(54,290)	(22,161)
GROSS PROFIT		29,165	14,998
Selling, general and administrative expenses	31, 36	(13,820)	(7,236)
Expense under share based payment program	17	(1,756)	(3,230)
Interest income	32, 36	10,947	3,139
Interest expense	33, 36	(5,328)	(5,425)
Gain on change in fair value of investment property	8	21,805	22,877
Net gain on foreign currency operations		1,688	4,928
Other income		125	128
Other expenses		(68)	(1,016)
PROFIT BEFORE INCOME TAX		42,758	29,163
INCOME TAX	21	(4,933)	(6,157)
NET PROFIT		37,825	23,006
Attributable to:			
Shareholders of the parent company		37,825	23,184
Minority interest	19	-	(178)
		37,825	23,006
EARNINGS PER SHARE in USD (basic and diluted)	34	3.73	5.34

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JSC OPIN AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007

'000 USD	Share capital	Additional paid-in-capital	Land under development revaluation reserve	Retained earnings	Equity attributable to the shareholders of the parent company	Minority interest	Total equity
Balance as of 31 December 2005	119,797	19,024	69,368	36,147	244,336	5,901	250,237
Net profit	-	-	-	23,184	23,184	(178)	23,006
Revaluation surplus (Note 18, Note 19)	-	-	24,492	-	24,492	6,562	31,054
Release of revaluation surplus on disposed assets (Note 18)	-	-	(812)	812	-	-	-
Issue of shares	45,784	44,329	-	-	90,113	-	90,113
Purchase of treasury shares	(4,724)	(4,586)	-	-	(9,310)	-	(9,310)
Expense under share based payment program (Note 20)	-	3,230	-	-	3,230	-	3,230
Balance as of 30 June 2006	160,857	61,997	93,048	60,143	376,045	12,285	388,330
Balance as of 31 December 2006	338,035	713,172	113,232	97,282	1,261,721	-	1,261,721
Net profit	-	-	-	37,825	37,825	-	37,825
Revaluation surplus (Note 18)	-	-	280,410	-	280,410	-	280,410
Release of revaluation surplus on disposed assets (Note 18)	-	-	(1,507)	1,507	-	-	-
Issue of shares (Note 16, Note 17)	69,776	255,955	-	-	325,731	-	325,731
Decrease in deferred tax liability due to change in tax base of assets (Note 21)	-	-	-	1,504	1,504	-	1,504
Expense under share based payment program (Note 20)	-	1,756	-	-	1,756	-	1,756
Balance as of 30 June 2007	407,811	970,883	392,135	138,118	1,908,947	-	1,908,947

The notes on pages 9 to 43 form an integral part of these consolidated interim financial statements. Statement of management's responsibilities for the preparation and approval of the consolidated interim financial statements is presented on page 1. Independent auditors' report is presented on pages 2-3.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June 2007 000'USD	Six months ended 30 June 2006 000'USD
OPERATING ACTIVITIES:			
Profit before income tax		42,758	29,163
Adjustments for:			
Depreciation and amortization expense		1,402	1,041
Gain on property, plant and equipment disposal		(6)	(3)
Interest income		(10,947)	(3,139)
Interest expense		5,328	5,425
Expense under share based payment program		1,756	3,230
Gain on change in fair value of investment property		(21,805)	(22,877)
Operating cash flow before movements in working capital		18,486	12,840
Decrease in land held for sale		16,408	2,531
Increase in goods under construction		(36,720)	-
Increase in inventories		(526)	(76)
(Increase) / decrease in receivables from customers under construction contracts		(24,923)	12,929
Decrease in other receivables and prepaid expenses		906	3,408
Increase in trade accounts receivable		(19,536)	(468)
Increase in value added tax recoverable		(9,461)	(4,516)
(Increase) / decrease in advances paid		(5,053)	3,162
Increase in long-term accounts payable		-	1,184
Increase in trade and other accounts payable		8,732	10,613
Increase in payable to customers under construction contracts		6,742	7,156
Increase in advances received from customers for goods under construction		9,795	-
Increase in advances received from customers for land plots		3,173	5,086
Increase in tax liability		294	77
Cash (used in) / provided by operations		(31,683)	53,926
Interest paid		(5,917)	(5,999)
Income tax paid		(5,316)	(2,611)
Net cash (used in) / provided by operating activities		(42,916)	45,316
INVESTING ACTIVITIES:			
Decrease of accounts payable on acquisition of subsidiaries		-	(9,325)
Acquisition of subsidiaries, net of cash acquired	35	145	(29,420)
Loans issued		(796)	(17,766)
Loans repaid		54	4,801
Interest received		6,148	57
Purchase of investment property		(63)	-
Proceeds from sale of property, plant and equipment		120	4
Purchase of property, plant and equipment and other non-current assets		(339,464)	(61,765)
Land and property under development		(47,033)	(41,231)
Net cash used in investing activities		(380,889)	(154,645)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June 2007 000'USD	Six months ended 30 June 2006 000'USD
FINANCING ACTIVITIES:			
Proceeds from issuance of shares		325,731	90,113
Release of cash reserved at banks under currency control regulation		-	3,005
Reduction of finance lease liability		(165)	-
Re-purchase of treasury shares		-	(9,310)
Repayment of loans		(3,794)	(993)
Net cash from financing activities		321,772	82,815
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		43	337
NET DECREASE IN CASH AND CASH EQUIVALENTS		(101,990)	(26,177)
CASH AND CASH EQUIVALENTS, beginning of the period	15	313,400	55,428
CASH AND CASH EQUIVALENTS, end of the period	15	211,410	29,251

Interest expense capitalized by the Group during the six months ended 30 June 2007 amounted to USD 5,524 thousand. Capitalized interest in the amount of USD 1,536 thousand was unpaid as of 30 June 2007.

Interest expense capitalized by the Group during the six months ended 30 June 2006 amounted to USD 6,085 thousand. Capitalized interest in the amount of USD 1,810 thousand was unpaid as of 30 June 2006.

During the six months ended 30 June 2007 the Group increased the cost of property, plant and equipment acquired under finance lease by USD 1,321 thousand due to changes in the lease payments.

The notes on pages 9 to 43 form an integral part of these consolidated interim financial statements. Statement of management's responsibilities for the preparation and approval of the consolidated interim financial statements is presented on page 1. Independent auditors' report is presented on page 2-3.

1. NATURE OF THE BUSINESS

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

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

The principal activities and countries of incorporation of the entities of the Group as of 30 June 2007 and 31 December 2006 are as follows:

Operating entity	Project	Principal activity	% held as of 30 June 2007	% held as of 31 December 2006	Country of incorpo-ration
Growth Technologies (Russia) Limited	Group’s projects	Providing consulting services in connection with investment in real estate market; Co-investing in real estate projects	100%	100%	Cyprus
Pavlovo LLC	Pavlovo	Investing in, developing, managing and disposing Pavlovo project assets	100%	100%	Russia
Pavlovo Podvorye LLC	Pavlovo Podvorye	Investing in, developing, managing and disposing Pavlovo Podvorye project assets	100%	100%	Russia
Stroy Invest Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Sakharova Business Plaza LLC	Sakharov Business Plaza project	Land lease holding company. Investing in, developing, managing and disposing Sakharov Business Plaza project assets	100%	100%	Russia
Bank Tower LLC	Sakharov Business Plaza project	Investor and future owner of a part of Sakharov Business Plaza	100%	100%	Russia
Sakharov Office Park LLC	Sakharov Business Plaza project	Investor and future owner of a part of Sakharov Business Plaza	100%	100%	Russia
Investproject Group LLC	Class A Office Center	Investing in, developing, managing and disposing of a Class A Office Center’s assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 30 June 2007	% held as of 31 December 2006	Country of incorpo-ration
Yacht-club "Pestovsky" LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo project assets	100%	100%	Russia
Estate Management LLC	Group's project	Development, sale and property management of projects assets	100%	100%	Russia
Invest Group LLC	Group's projects	Investing in, developing, managing and disposing of future projects assets	100%	100%	Russia
OI Management Company LLC	Group's projects	Investing in, developing, managing and disposing of future projects assets	100%	100%	Russia
ExpoDom LLC	Group's real property	Providing property management and maintenance services	100%	100%	Russia
IR Development Ltd	Group's development projects	Providing technical supervision and construction management services	100%	100%	Russia
Pestovo LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo project assets	100%	100%	Russia
Open Investments - Saint Petersburg LLC	Group's projects in Saint-Petersburg	Investing in, developing, managing and disposing of future Saint-Petersburg projects' assets	100%	100%	Russia
Zhilaya i Commercheskaya Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
JSC Hotel Novoslobodskaya	Novotel Moscow Center Hotel	Providing hotel services	100%	100%	Russia
Stroy Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Proekt Capital LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Stroy Servis Group LLC	Group's project	Investing in, developing, managing and disposing projects assets	-	100%	Russia
Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia
Amalia LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 30 June 2007	% held as of 31 December 2006	Country of incorpo-ration
OPIN Plaza LLC	OPIN Plaza	Investing in, developing, managing and disposing of a Class A Office Center's assets	100%	100%	Russia
Krasnaya Gorka LLC	Samara	Investing in, developing, managing and disposing Samara project assets	-	100%	Russia
Belyi Parus LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	100%	Russia
Invest Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Lukino LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Proekt Story LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
CP Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia
Stroy Park LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Onigomati Investment Limited	Group's project	Realisation of the employee share based payments program	100%	100%	Cyprus
Eko-Center LLC	Gorki-10	Investing in, developing, managing and disposing Gorki-10 project assets	100%	100%	Russia
Lukino-Invest LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Novorizhskiy LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Capital Industry LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Instroy LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Istok LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 30 June 2007	% held as of 31 December 2006	Country of incorpo-ration
ExpoDom – Podmoskovye LLC	Group's real property	Providing property management and maintenance services	100%	100%	Russia
Zemelnyi Capital LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Express LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Regional development LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Capital Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Invest Polis LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Extern LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	-	Russia
Agro Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Agro Group LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Invest Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Agrosistema LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	-	Russia
Selskie zori LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	-	Russia
Stroy Progress LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	-	Russia

In addition the Group owns 100% of the shares of Closed Unit Investment Fund Novy Dom ("New House") managed by JSC Investment Management Company YAMAL.

As of 30 June 2007 and 31 December 2006 the shareholders' structure of the Company was as follows:

Shareholder	**30 June 2007**	**31 December 2006**
Motherlane Properties Limited	57.84%	57.84%
Treasury stock	2.30%	2.73%
Others	39.86%	39.43%
Total	100.00%	100.00%

Ultimate owners of the Group are Mr. Vladimir O. Potanin and Mr. Mikhail D. Prokhorov. Each of them indirectly holds 28.92% shares of the Company as of 30 June 2007.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – The consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

- Fair value of subsidiaries acquired in accordance with IFRS No. 3 "Business Combinations";
- Valuation of land under development in accordance with IAS No. 16 "Property, Plant and Equipment" ("IAS 16");
- Valuation of investment property in accordance with IAS No. 40 "Investment property" ("IAS 40");
- Valuation of financial instruments in accordance with IAS No. 39 "Financial Instruments: Recognition and Measurement".

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

Since the results of the Group operations closely relate to and depend on changing market conditions, the results of the Group operations for the interim period are not necessarily indicative of the results for the year.

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

Functional currency - The Group's management has decided to present and measure these consolidated interim financial statements in USD (the Group's functional currency) for the following reasons:

- The majority of the Group's transactions are denominated or completed in USD;
- Owing to the nature of the Group's business, most of management's economic and operational decisions are based on USD;
- Management believes that USD reporting will better reflect the economic substance of

- the underlying events and circumstances relevant to the Group.

Foreign currencies – All entities of the Group, except for Growth Technologies (Russia) Limited and Onigomati Investment Limited maintain their accounting records in Russian Roubles ("RUR") in accordance with the accounting and reporting regulations of the Russian Federation. Growth Technologies (Russia) Limited and Onigomati Investment Limited maintain their accounting records in USD and in accordance with IFRS.

In translating financial statements of the entities domiciled in the Russian Federation into USD for incorporation into the consolidated interim financial statements, the Group follows a translation policy in accordance with IAS No. 21 "The Effects of Changes in Foreign Exchange Rates":

- Foreign currency monetary assets and liabilities are translated using the closing rate;
- Non-monetary assets and liabilities measured in a foreign currency are translated using the exchange rate at the date of the transaction;
- Income and expense items are translated using the exchange rate at the date of the transaction;
- All resulting exchange differences are recorded as gains or losses on foreign currency operations in the consolidated interim income statement.

The relevant exchange rate of the Central Bank of the Russian Federation used in translating the financial statements of the entities domiciled in the Russian Federation into US Dollars was USD 1 = 25.8162 RUR as of 30 June 2007 and USD 1 = 26.3311 RUR as of 31 December 2006.

The translation of RUR denominated assets and liabilities into USD as of 30 June 2007 and 31 December 2006 does not indicate that the Group could realize, or settle in USD, the translated value of these assets and liabilities as well as to distribute the disclosed amount of equity to shareholders.

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

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

	30 June 2007 '000 USD
Investment property	151,910
Land under development	1,050,667

Investment property and land under development are measured at the revalued amounts and the date of the latest appraisal was 30 June 2007.

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

Revenue recognition: Note 27 describes the expenditures incurred by the Group with respect to construction contracts concluded with the Group's customers for the construction of houses on land owned by the Group. Title to those houses and the land has not been transferred to the Group's customers as of the date of these consolidated interim financial statements. Following negotiation of the terms of these construction contacts, a schedule of work was agreed, which will involve additional Group expenditure until 2008. In light of the specifics attributable to construction contracts, management was required to consider whether it was appropriate to recognize revenue from these transactions of USD 29,793 thousand in the current period, in line with the Group's general policy of recognizing revenue from construction contracts.

In making its judgment, management considered the detailed criteria for the recognition of revenue from construction contracts set out in IAS No.11 "Construction Contracts" and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the houses and the land. Following a detailed review of the Group's construction contracts, the directors are satisfied that recognition of the revenue in the current year is appropriate, in conjunction with recognition of attributable construction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The ownership interest of the Company in the subsidiaries as of 30 June 2007 and 31 December 2006 is presented in Note 1.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interest of the parent.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognized as an asset and reviewed for impairment annually. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed.

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

Revenue recognition – Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably. Sales are recognized net of value added tax.

Hotel and associated revenues are recognized when the rooms are occupied and the services are performed.

Revenue from the sales of land is recognized when legal title passes to the buyer.

Revenue from the sales of town houses and apartments in low-rise buildings is recognized when the construction is completed and the property is transferred to the buyer upon signing the act of acceptance.

The Group concludes contracts with its clients for construction of houses and communal infrastructure on land owned by the Group. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. The Group concludes fixed price contracts in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

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

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

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

Interest income and expense – Interest income and expense are recognized on an accrual basis using the effective interest rate method. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield.

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

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

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

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

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

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

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

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

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS No. 10 "Events After the Balance Sheet Date" and disclosed accordingly.

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

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

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

Deferred tax assets and deferred tax liabilities are offset when:

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

Intangible assets – Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, which is on average 2-5 years.

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

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

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

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

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

Impairment loss – If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference, being an impairment loss, is recognized as an expense in the consolidated interim income statement for the year in which it arises.

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

Land under development – Land under development represents land, which is in the process of development by the Group for future use as investment property, and also land under physical transformation (radical improvement) or change in legal status (including change of category of authorized use). Management elected to follow the alternative treatment allowed by IAS 16 and, subsequent to initial recognition, such land is carried at a revalued amount determined by independent appraisal, being its fair value at the date of the revaluation. Management plans to perform revaluation of land under development with sufficient regularity such that the carrying amount does not differ materially from what which would be determined using fair value at the reporting date.

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

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

Property under development **-** Property under development represents buildings that are being constructed for future use as investment property. Property under development is accounted for at cost in accordance with IAS 16. When the construction is completed such buildings are transferred to investment property.

If, after or in course of the development process, management's intentions related to a certain property is changed such properties are transferred to the goods under construction or the property, plant and equipment and its carrying amount at the date of transfer is considered as its cost as of that date.

Land held for sale – Land held for sale represents land parcels (containing houses constructed under contracts and with the intention of being sold once the construction is completed), and also other land parcels with the intention of being sold in the ordinary course of business. Land held for sale is stated at the lower of cost or net realizable value in accordance with IAS 2 "Inventories" ("IAS 2").

Goods under construction – Goods under construction represent apartments in low-rise buildings, town houses and other property in the process of construction of development with the intention of being sold in the ordinary course of business. Goods under construction are stated at the lower of cost or net realizable value in accordance with IAS 2.

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

The Group elected to use the fair value model allowed by IAS 40 to measure investment property subsequent to initial recognition. Therefore investment property is stated at fair value.

For a transfer from investment property carried at fair value to owner-occupied property or property held for sale in the ordinary course of business, the property's fair value at the date of transfer is considered as deemed cost for subsequent accounting in accordance with IAS 16 and IAS 2.

Inventories – Inventories are stated at the lower of cost or net realizable value.

Recognition and measurement of financial instruments – The Group recognizes financial assets and liabilities on its consolidated interim balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Offset of financial assets and liabilities – Financial assets and liabilities are offset and reported net on the consolidated interim balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Trade and other accounts receivable – Trade and other accounts receivable are stated at their net realizable value after deducting impairment provisions (if any).

Cash and cash equivalents – Cash include petty cash, cash held on current bank accounts and short-term deposits with banks. Cash equivalents include short-term investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Borrowings – All loans are initially recorded at the proceeds received, net of direct transaction costs. Subsequently loans and borrowings are measured at amortized cost, which is calculated by taking into account any discount or premium on settlement.

Originated loans – Loans originated by the Group are financial assets that are created by the Group by providing money to a borrower or by participating in loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading. Originated loans are carried at amortized cost, less any provision for impairment losses.

Loans originated by the Group at rates below market are discounted to fair value using the effective interest method.

Borrowing costs – Management elected to follow the alternative treatment allowed by IAS No.23 "Borrowing Costs". Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Trade and other accounts payable – Liabilities for trade and other accounts payable are stated at cost.

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

Business and geographic segments – For management purposes the Group is organized into five major business segments: land holdings, residential property, commercial property development, commercial property and hotel operations. The operations of all segments are based in the Russian Federation.

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

Reclassifications – The following reclassifications have been made to the consolidated balance sheet as of 31 December 2006 and consolidated interim income statement for the six months ended 30 June 2006 to conform to the presentation as of 30 June 2007 and for the six months ended 30 June 2007 as management considers that the current period presentation provides a better view of the consolidated interim financial statements:

Nature of reclassification	**Amount ‘000 USD**	**Balance sheet/income statement caption as per the previous report**	**Balance sheet/income statement caption as per current report**
Split of land under development and property under development into separate line on the face of balance sheet	404,353	Land under construction, including land improvements	Land under development
Split land under development and property under development into separate line on the face of balance sheet	121,550	Land under construction, including land improvements	Property under development
Netting of reimbursable expenses with related revenue	22	Cost of rental services	Rental income from investment property

Adoption of new and revised standards effective after the reporting date – The Group has carried out an assessment of the effect of changes on its consolidated financial position and results of operations reported under IFRS which would become effective for annual periods beginning after 1 January 2007.

In accordance with the provisions of IFRS No. 7 “Financial Instruments: Disclosures” (“IFRS 7”) effective from 1 January 2007 the Group should present additional information regarding financial instruments in its annual consolidated financial statements. The Group has assessed the influence of requirements under IFRS 7 and has developed a plan to introduce systems to provide the appropriate level of disclosures.

In accordance with the provisions of IAS No.1 “Presentation of Financial Statements” effective from 1 January 2007 the Group should present additional information regarding managing capital in its annual consolidated financial statements. The Group has assessed the influence of requirements under IAS 1 and has developed a plan for systems to provide an appropriate level of disclosure.

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	**Effective date**
IFRIC No. 7 “Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies”	Effective for annual periods beginning on or after 1 March 2006
IFRIC No. 8 “Scope of IFRS 2”	Effective for annual periods beginning on or after 1 May 2006
IFRIC No. 9 “Reassessment of Embedded Derivatives”	Effective for annual periods beginning on or after 1 June 2006
IFRIC No. 10 “Interim Financial Reporting and Impairment”	Effective for annual periods beginning on or after 1 November 2006

The Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group.

4. GOODWILL

	'000 USD
Cost	
At 31 December 2006	633
Change for the period	-
At 30 June 2007	633

5. INTANGIBLE ASSETS

Intangible assets as of 30 June 2007 and 31 December 2006 consisted of the following:

'000 USD	Computer software	Trademarks, licences and logotypes	Total
Cost			
At 31 December 2006	102	58	160
Additions	312	1	313
At 30 June 2007	414	59	473
Accumulated amortisation			
At 31 December 2006	33	5	38
Charge for the period	113	6	119
At 30 June 2007	146	11	157
Carrying amount			
At 31 December 2006	69	53	122
At 30 June 2007	268	48	316

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 30 June 2007 and 31 December 2006 consisted of the following:

'000 USD	Land and buildings	Fittings and fixtures	Transport, machinery and equipment	Furniture and office equipment	Construc-tion in progress	Total
Cost						
At 31 December 2006	63,613	4,726	2,701	1,319	26,178	98,537
Additions	1,396	27	291	405	9,848	11,967
Disposals	-	(3)	(124)	(40)	-	(167)
Transfer to investment property (Note 8)	(293)	-	-	-	-	(293)
Transfer to property under development (Note 10)	-	(75)	-	-	-	(75)
Transfer to goods under construction (Note 12)	-	(91)	-	-	-	(91)
At 30 June 2007	64,716	4,584	2,868	1,684	36,026	109,878
Accumulated depreciation						
At 31 December 2006	2,518	502	1,155	395	-	4,570
Charge for the period	823	139	182	139	-	1,283
Transfer to property under development (Note 10)	-	(36)	-	-	-	(36)
Disposals	-	-	(38)	(14)	-	(52)
At 30 June 2007	3,341	605	1,299	520	-	5,765
Net Book Value						
At 31 December 2006	61,095	4,224	1,546	924	26,178	93,967
At 30 June 2007	61,375	3,979	1,569	1,164	36,026	104,113

Construction in progress principally includes construction of the A. I. Raikin Retail and Entertainment Center and infrastructure of Pavlovo and Pavlovo II Cottage Communities.

As of 30 June 2007 a building with a net book value of USD 34,695 thousand has been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 23).

During the six months ended 30 June 2007 the Group capitalized interest of USD 107 thousand in construction in progress.

During the six months ended 30 June 2006 the Group capitalized interest of USD 172 thousand in construction in progress.

7. CAPITAL ADVANCES

Capital advances as of 30 June 2007 and 31 December 2006 consisted of the following:

	30 June 2007 '000 USD	**31 December 2006 '000 USD**
Advance payment for the acquisition of land plots	486,475	382,044
Other capital advances	92,412	81,193
Total	578,887	463,237

During the six months ended 30 June 2007 the Group capitalized interest of USD 2,516 thousand in advances paid for capital expenses.

During the six months ended 30 June 2006 the Group capitalized interest of USD 1,160 thousand in advances paid for capital expenses.

8. INVESTMENT PROPERTY

'000 USD	**Buildings**	**Land plots**	**Land plots with buildings**	**Total**
At 31 December 2006	22,550	72,999	45,500	141,049
Additions	-	-	63	63
Change in fair value	4,567	101	17,137	21,805
Transfer from property, plant and equipment (Note 6)	293	-	-	293
Transfer to land held for sale (Note 11)	-	(11,300)	-	(11,300)
At 30 June 2007	27,410	61,800	62,700	151,910

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

As of 30 June 2007 land plots with buildings with a book value of USD 18,900 thousand have been pledged as collateral under the loan received from JSCB ROSBANK (Note 23).

9. LAND UNDER DEVELOPMENT

As of 30 June 2007 and 31 December 2006 land under development consisted of:

	'000 USD
At 31 December 2006	404,353
Revaluation surplus (Note 18)	370,333
Additions	9,363
Acqusition of subsidiaries (Note 35)	301,735
Transfer to land held for sale (Note 11)	(35,117)
At 30 June 2007	1,050,667

Land is recorded at revalued amount in the basis of valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at primarily by applying the income capitalisation method.

During the six months ended 30 June 2007 the Group capitalized interest in land under development of USD 2,029 thousand.

During the six months ended 30 June 2006 the Group capitalized interest in land under development of USD 4,127 thousand.

10. PROPERTY UNDER DEVELOPMENT

As of 30 June 2007 and 31 December 2006 property under development consisted of:

	'000 USD
At 31 December 2006	121,550
Additions	71,237
Acqusition of subsidiaries (Note 35)	273
Transfer from property, plant and equipment (Note 6)	39
Transfer to goods under construction (Note 12)	(2,407)
Transfer to cost of construction contracts (Note 27)	(31,324)
At 30 June 2007	159,368

During the six months ended 30 June 2007 the Group capitalized interest in property under development of USD 872 thousand.

During the six months ended 30 June 2006 the Group capitalized interest in property under development of USD 626 thousand.

11. LAND HELD FOR SALE

Land held for sale as of 30 June 2007 and 31 December 2006 consisted of the following:

	'000 USD
At 31 December 2006	34,419
Transfer from land under development (Note 9)	35,117
Transfer from investment property (Note 8)	11,300
Transfer to cost of land sold	(16,408)
At 30 June 2007	64,428

12. GOODS UNDER CONSTRUCTION

Goods under construction as of 30 June 2007 and 31 December 2006 consisted of the following:

	'000 USD
At 31 December 2006	-
Addition	34,222
Transfer from property, plant and equipment (Note 6)	91
Transfer from property under development (Note 10)	2,407
At 30 June 2007	36,720

13. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses as of 30 June 2007 and 31 December 2006 consisted of the following:

	30 June 2007 '000 USD	31 December 2006 '000 USD
Prepaid expenses	978	606
Prepaid current income tax	719	822
Other receivables	2,887	1,130
Other taxes prepaid	714	320
Total	5,298	2,878

14. LOANS ISSUED

Unsecured loans issued as of 30 June 2007 and 31 December 2006 consisted of:

	Interest rate	Currency	30 June 2007 '000 USD	31 December 2006 '000 USD
Nekomercheskoe Partnyorstvo "Blagoustroystvo Kottedzhnogo posyolka "Pestovo"	7.0%-7.5%	RUR	20,706	18,869
Blauenlaumer Technologies Limited	7.1%	USD	3,122	3,016
Agroreserve LLC	7.3%	RUR	1,770	1,675
River Park LLC	7.0%-7.3%	RUR	42	-
Total			25,640	23,560

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 30 June 2007 and 31 December 2006 consisted of the following:

	30 June 2007 '000 USD	31 December 2006 '000 USD
Short-term bank deposits	187,740	295,086
Cash in banks, in RUR	23,021	17,763
Cash in banks, in other currencies	641	537
Petty cash	8	14
Total	211,410	313,400

16. SHARE CAPITAL

	30 June 2007
Authorized	
31 December 2006: Ordinary shares at par value of RUR 1,000 each	9,750,976
30 June 2007: Ordinary shares at par value of RUR 1,000 each	11,549,039
Including:	
Treasury shares	
31 December 2006: Ordinary shares at par value of RUR 1,000 each	266,000
30 June 2007: Ordinary shares at par value of RUR 1,000 each	266,000
	'000 USD
Issued and fully paid	
31 December 2006: 9,484,976 ordinary shares at par value of RUR 1,000 each	338,035
Issue of shares: 1,798,063 ordinary shares at par value of RUR 1,000 each	69,776
30 June 2007: 11,283,039 ordinary shares at par value of RUR 1,000 each	407,811

The extraordinary general meeting of shareholders held on 14 November 2005 approved a capital increase, whereby up to 1,285,488 new ordinary shares each with a nominal value of 1,000 RUR would be issued through an open subscription. The offering price was equal to the Rouble equivalent of USD 70 per share at the exchange rate of the Central Bank of the Russian Federation as of the date of placement. Shareholders were granted pre-emptive rights of purchase, pro rata to their existing shareholdings. On 26 January 2006 the Company registered a prospectus for the additional issue of shares with the Federal Financial Markets Services ("FFMS"). On 24 March 2006 the Company summarized the results of the pre-emptive rights participation and placed 1,251,424 ordinary shares to existing shareholders. The remaining 34,064 shares were placed through an open subscription. The proceeds from the additional issue of shares were USD 90 million. The issue was registered with the FFMS on 27 April 2006.

On 3 May 2007 the Company completed the distibution of 1,798,063 additional shares with a nominal value of 1,000 RUR each and submitted a notice on the results of the additional release of securities to the FFMS. Shareholders in the Company were given a pre-emptive right of purchase, pro rata to their existing shareholdings. The offering price was not exceeding Rouble equivalent of USD 180.75 per share at the exchange rate of the Central Bank of the Russian Federation at the date on which the Board of Directors decided on the share price. The proceeds from the additional issue of shares were USD 325,731 thousand.

The meeting of the Company's Board of Directors held on 31 May 2007 approved a capital increase, whereby up to 2,038,930 new ordinary shares each with a nominal value of 1,000 RUR would be issued through an open subscription. Shareholders are granted pre-emptive rights of purchase, pro rata to their existing shareholdings (Note 39).

Treasury shares represent the cost of shares held by the Group to satisfy the Group's share based payment program (Note 20).

17. ADDITIONAL PAID-IN-CAPITAL

Additional paid-in-capital as of 30 June 2007 and 31 December 2006 consisted of the following:

'000 USD	Share premium	Under-writing fees	Legal and consulting services	Share based payment	Total
At 31 December 2006	725,355	(15,186)	(2,012)	5,015	713,172
Issue of new shares	255,972	-	(17)	-	255,955
Recognition of expense under share based payment program (Note 20)	-	-	-	1,756	1,756
At 30 June 2007	981,327	(15,186)	(2,029)	6,771	970,883

18. LAND UNDER DEVELOPMENT REVALUATION RESERVE

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
At the beginning of the period	113,232	69,368
Revaluation surplus on land (Note 9)	370,333	34,298
Deferred tax liabilities arising on revaluation of land (Note 21)	(89,923)	(9,806)
Release of revaluation reserve on disposed assets	(1,983)	(1,068)
Release of deferred tax liability on revaluation reserve of disposed assets	476	256
At the end of the period	392,135	93,048

19. MINORITY INTEREST

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
At the beginning of the period	-	5,901
Minority interest in net loss from subsidiary for the six months	-	(178)
Minority interest in subsidiary's revaluation surplus for the six months	-	6,562
At the end of the period	**-**	**12,285**

20. SHARE BASED PAYMENT PROGRAM

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

	30 June 2007 shares
Outstanding at the beginning of the six months	266,000
Outstanding at the end of the six months	266,000
Exercisable at the end of the six months	**-**

The Group recognized a total share based payment cost of USD 1,756 thousand and USD 3,230 thousand for the six months ended 30 June 2007 (Note 17) and 2006, respectively. The weighted average remaining contractual life is 1.3 years.

21. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with Russian statutory tax regulations which may differ from IFRS. The statutory tax rate effective in the Russian Federation, the legal jurisdiction of the majority of the Group's entities, was 24% in 2007 and 2006. The federal tax rate for dividend income in the Russian Federation was 15% if received from foreign subsidiaries and 9% if received from Russian legal entities.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 30 June 2007 and 31 December 2006 relate mostly to different methods of income and expense recognition as well as to the recorded values of certain assets.

Temporary differences as of 30 June 2007 and 31 December 2006 comprised:

	30 June 2007 '000 USD	**31 December 2006 '000 USD**
Deductible differences:		
Loss carry forward	40,165	12,383
Property, plant and equipment	9,003	7,839
Other payables and accrued expenses	714	19,320
Receivables and prepaid expenses	2,386	1,543
Effect of foreign currency translation of other assets	45,607	21,180
Total deductible differences	97,875	62,265
Taxable differences:		
Land under development and land held for sale	967,765	359,983
Payable to customers under construction contracts	66,625	21,834
Receivables and prepaid expenses	26,919	7,959
Investment property	129,545	113,620
Property, plant and equipment	634	554
Effect of foreign currency translation of other assets	682	12
Total taxable differences	1,192,170	503,962
Net taxable differences	(1,094,295)	(441,697)
Deferred income tax liability (at tax rate)	(271,919)	(112,212)
Deferred income tax asset (at tax rate)	9,918	6,836
Net deferred income tax liability	(262,001)	(105,376)

The relationship between the income tax expense and the Group's accounting profit for the six months ended 30 June 2007 and 30 June 2006 is explained as follows:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Profit before income taxes	42,758	29,163
Statutory tax rate	24%	24%
Theoretical income tax at the statutory tax rate	10,262	6,999
Tax on dividends from Russian subsidiary	-	168
Tax effect of other permanent differences	(5,329)	(1,010)
Income tax expense	4,933	6,157
Income tax expense		
Deferred income tax (credit)/expense	(622)	3,391
Current income tax expense	5,555	**2,766**
Total	4,933	6,157

Deferred income tax liabilities	**Six months ended 30 June 2007 '000 USD**	**Six months ended 30 June 2006 '000 USD**
At the beginning of the period	112,212	59,276
Increase in the deferred income tax liability charged to consolidated interim income statement	2,460	4,568
Increase in deferred income tax liability charged to equity (Note 18)	89,923	9,806
Decrease in deferred tax liability due to change in tax base of assets	(1,504)	-
Acqusition of subsidiaries (Note 35)	68,828	9,433
At the end of the period	271,919	83,083

Deferred income tax assets	**Six months ended 30 June 2007 '000 USD**	**Six months ended 30 June 2006 '000 USD**
At the beginning of the period	6,836	586
Increase in deferred income tax assets credited to consolidated interim income statement	3,082	1,177
At the end of the period	9,918	1,763

22. FINANCE LEASE PAYABLE

In July 2006 the Group signed an agreement with the City of Moscow represented by the Department of State and Municipal Property for the lease of the remaining 20% of the Novotel Hotel premises for 15 years. The effective interest rate is 13% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2007 '000 USD	31 December 2006 '000 USD	30 June 2007 '000 USD	31 December 2006 '000 USD
No later than one year	1,876	1,678	366	285
Later than one year and not later than five years	7,504	6,713	2,006	1,583
Later than five years	16,415	15,523	9,928	8,956
	25,795	23,914	12,300	10,824
Less future finance charges	(13,495)	(13,090)	-	-
Present value of minimum lease payments	12,300	10,824	12,300	10,824
Included in the consolidated interim financial statements as:				
Long-term finance lease payable			11,934	10,539
Short-term finance lease payable			366	285
Total			12,300	10,824

The change of present value of minimum lease payments in the accounting period is a result of the revision by the lender of the agreement conditions under finance lease payable.

23. LONG-TERM LOANS

Long-term loans as of 30 June 2007 and 31 December 2006 consisted of the following:

	Currency	Interest Rate	30 June 2007 '000 USD	31 December 2006 '000 USD
JSCB ROSBANK	USD	11%	22,460	25,000
JSCB Savings bank of the Russian Federation	USD	11%	19,250	20,750
AOZT SPKh “Menzhinets”	RUR	0.5%	869	794
Agrorezerv LLC	RUR	9.0%	1,811	-
Prepaid credit account maintenance fees	USD		(381)	(954)
Total			44,009	45,590

As of 30 June 2007 land plots with buildings with a book value of USD 18,900 thousand have been pledged as collateral under the loan from JSCB ROSBANK (Note 8).

As of 30 June 2007 the shares of JSC Hotel Novoslobodskaya and a building with a net book value of USD 34,695 thousand have been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 6).

The loan from AOZT SPKh “Menzhinets” was discounted to fair value at 14% using the effective interest method.

Long-term loans as of 30 June 2007 and 31 December 2006 are repayable as follows:

	30 June 2007 '000 USD	31 December 2006 '000 USD
Within one year	153,097	152,750
In the second year	2,869	2,046
In the third to fifth years inclusive	39,329	43,544
Later than five years	1,811	-
Less: current portion of long-term loans (Note 24)	(153,097)	(152,750)
Total	44,009	45,590

24. SHORT-TERM LOANS AND ACCRUED INTEREST

Short-term loans and accrued interest as of 30 June 2007 and 31 December 2006 consisted of the following:

	Interest rate	30 June 2007 '000 USD	31 December 2006 '000 USD
Current portion of long-term loan from JSCB Savings bank of the Russian Federation (Note 23)	11%	3,000	2,750
ING Bank N.V. (Note 23)	9.125%	150,000	150,000
Other loans		97	-
Accrued interest on long-term and short-term loans		2,596	2,055
Prepaid interest on loans		-	(68)
Total		155,693	154,737

The loan received from ING Bank N.V. matures in November 2007 and is unsecured.

25. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 30 June 2007 and 31 December 2006 consisted of the following:

	30 June 2007 '000 USD	31 December 2006 '000 USD
Trade payables to suppliers and service providers	14,940	7,268
Accounts payable to employees	3,998	3,727
Accounts payable on acquisition of subsidiaries	1,689	-
Advances received	1,315	924
Other accounts payable and accrued expenses	17,435	126
Total	39,377	12,045

26. REVENUE UNDER CONSTRUCTION CONTRACTS

Revenue under construction contracts for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	**Six months ended 30 June 2006 '000 USD**
Revenue under contracts for construction of houses	29,793	16,639
Revenue under contracts for construction of infrastructure and other assets	15,800	4,383
Total	45,593	**21,022**

27. COST OF CONSTRUCTION CONTRACTS

Cost of construction contracts for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	**Six months ended 30 June 2006 '000 USD**
Cost of contracts for construction of houses (Note 10)	15,568	7,797
Cost of contracts for construction of infrastructure and other assets (Note 10)	15,756	4,284
Total	31,324	12,081

28. COST OF HOTEL SERVICES

Cost of hotel services for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	**Six months ended 30 June 2006 '000 USD**
Payroll	1,630	1,632
Depreciation	721	650
Management fees	714	793
Materials	695	627
Property tax	459	425
Payroll taxes	361	342
Commissions	214	87
Bank fees for processing credit cards	181	154
Repairs and maintenance	175	98
Laundry expenses	129	116
Insurance	125	101
Security expenses	86	55
Communication and TV expenses	56	62
Consulting services	28	73
Decoration expenses	22	24
Other	292	322
Total	5,888	5,561

29. COST OF RENTAL SERVICES

Cost of rental services for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Property tax	110	125
Repairs and maintenance	66	66
Public utilities	47	67
Rent expense	34	44
Other	63	44
Total	320	346

30. COST OF OTHER SERVICES

Cost of other services for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Payroll	126	92
Rent expense	44	-
Repairs and maintenance	42	31
Security expenses	35	21
Property tax	18	-
Depreciation	6	4
Professional services	-	846
Bank charges	-	201
Other	79	447
Total	350	1,642

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Payroll	6,917	3,043
Advertising	1,357	368
Payroll taxes	733	439
Depreciation and amortization	675	387
Other operating taxes	484	457
Brokerage fees	462	658
Audit and other consulting services	418	326
Repairs and maintenance	311	57
Bank charges	273	68
Security expenses	255	189
Property tax	228	227

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Insurance	141	69
Landscaping	130	102
Communications expenses	130	59
Travel expenses	122	119
Management fees	84	12
Representation expenses	79	15
Rent expense	75	90
Public utilities	46	53
Other expenses	900	498
Total	13,820	7,236

32. INTEREST INCOME

Interest income for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Interest on bank deposits	6,147	599
Interest on loans issued	847	397
Other interest income	3,953	2,143
Total	10,947	3,139

33. INTEREST EXPENSE

Interest expense for the six months ended 30 June 2007 and 2006 consisted of the following:

	Six months ended 30 June 2007 '000 USD	Six months ended 30 June 2006 '000 USD
Interest on bank loans	9,399	10,935
Interest on financial lease	763	-
Cost of maintenance of credit accounts	573	573
Interest on other loans	117	2
Total borrowing costs	10,852	11,510
Less: amounts included in the cost of qualifying assets (Notes 6, 7, 9 and 10)	(5,524)	(6,085)
Total	5,328	5,425

34. EARNINGS PER SHARE

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

	Basic			Diluted		
	Weighted average number of shares outstanding during the period	Net profit for the period attributable to shareholders of the parent company ('000 USD)	Earnings per share (in USD)	Weighted average number of shares outstanding during the period	Net profit for the period attributable to shareholders of the parent company ('000 USD)	Earnings per share (in USD)
Six months ended 30 June 2007	10,150,809	37,825	3.73	10,150,809	37,825	3.73
Six months ended 30 June 2006	4,342,812	23,184	5.34	4,342,812	23,184	5.34

35. ACQUISITION OF SUBSIDIARIES

In January 2007 the Group acquired a 100% interest in Capital Service LLC and Invest Polis LLC together with their 100% subsidiary Regional development LLC for USD 85 million, which was paid in advance in cash.

In February 2007 the Group acquired a 100% interest in Extern LLC for USD 12 million, which was paid in advance in cash.

In June 2007 the Group acquired a 100% interest in Selskie zori LLC and Stroy Progress LLC together with their 100% subsidiary Agrosistema LLC for the total consideration of USD 62.9 million, USD 61.5 million of which was paid in advance in cash and the remaining payables repaid in July 2007.

In June 2007 the Group acquired a 100% interest in Agro Group LLC and Agro Service LLC together with its 100% subsidiary Invest Service LLC for the total consideration of USD 59.6 million, USD 59.3 million of which was paid in advance in cash and the remaining payables repaid in July 2007.

Had these business combinations been effective at 1 January 2007, neither the revenue, nor the profit of the Group for the six months ended 30 June 2007 would have changes significantly. The revenue and the profit of the acquired subsidiaries included in the consolidated interim financial statements for the six months ended 30 June 2007 since the acquisition date to the reporting date was not significant.

At the dates of the acquisitions:

	'000 USD
Net assets acquired:	
Capital advances	6
Land under development (Note 9)	301,735
Property under development (Note 10)	273
Value added tax recoverable	12
Trade accounts receivable	5
Other receivables and prepaid expenses	3,429
Loans issued	37
Cash and cash equivalents	185
Deferred tax liability (Note 21)	(68,828)
Long-term loans	(1,583)
Short-term loans and accrued interest	(268)
Trade and other accounts payable	(15,462)
Tax liabilities, other than income tax liabilities	(32)
Current income tax liability	(2)
Total	**219,507**

	'000 USD
Consideration given:	
Satisfied by cash	(40)
Capital advances	(217,778)
Accounts payable for the acquisition of subsidiaries	(1,689)
Total	**219,507**
Net cash inflow arising on acquisition:	
Cash consideration	(40)
Cash and cash equivalents acquired	185
Cash received, net of cash paid on acquisition of subsidiaries	**145**

36. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

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

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

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

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

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

(f) parties with joint control over the Group;

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 30 June 2007 and 31 December 2006:

‘000 USD	30 June 2007		31 December 2006	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Prepaid interest on loans (entities with joint control or significant influence over the entity)	-	-	68	68
Receivables from customers under construction contracts (key management personnel of the entity or its parent)	3,304	35,929	89	11,006
Other receivables and prepaid expenses (entities with joint control or significant influence over the entity)	68	5,298	172	2,878
Long-term loans (entities with joint control or significant influence over the entity)	22,460	44,009	25,000	45,590
Accrued interest (entities with joint control or significant influence over the entity)	552	2,596	-	2,055
Payables to customers under construction contracts (key management personnel of the entity or its parent)	11,545	57,141	561	50,399
Advances received from customers for land plots (key management personnel of the entity or its parent)	2,282	10,151	944	6,978
Accounts payable to employees (key management personnel of the entity)	826	3,998	946	3,727
Cash and cash equivalents (entities with joint control or significant influence over the entity	187,754	211,410	175,026	313,400

Included in the consolidated interim income statement for the six months ended 30 June 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	30 June 2007		30 June 2006	
'000 USD	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Revenue under construction contracts	3,368	45,593	1,410	21,022
(entities with joint control or significant influence over the entity)	60		1,401	
(key management personnel of the entity or its parent)	3,308		9	
Revenue from land sold (key management personnel of the entity or its parent)	450	24,387	-	2,774
Revenue on rendering other services (entities with joint control or significant influence over the entity)	-	709	286	1,964
Commission on received bank guarantee (entities with joint control or significant influence over the entity)	-	-	201	201
Bank charges (entities with joint control or significant influence over the entity)	240	273	62	68
Cost of hotel services (entities with joint control or significant influence over the entity)	120	5,888	154	5,561
Interest income (entities with joint control or significant influence over the entity)	4,996	10,947	463	3,139
Interest expense (entities with joint control or significant influence over the entity)	159	5,328	-	5,425
Key management personnel compensation:				
Payroll and related taxes	1,977	9,767	1,747	5,548
Insurance	19	266	15	170
	1,996	**10,033**	**1,762**	**5,718**

During the six months ended 30 June 2007 the Group accrued loan interest of USD 1,277 thousand, of which USD 159 thousand is recorded as interest expense and USD 1,118 are capitalized in the cost of long-term assets. During the six months ended 30 June 2007 the Group paid interest to a related party of USD 657 thousand.

During the six months ended 30 June 2006 the Group accrued loan interest of USD 2,720 thousand which was capitalized in the cost of long-term assets. During the six months ended 30 June 2006 the Group paid interest to a related party of USD 823 thousand.

During the six months ended 30 June 2006 the Group paid commission of USD 202 thousand on a bank guarantee received.

37. BUSINESS SEGMENTS

Financial information relating to the Group's consolidated segments is as follows for the six months ended 30 June 2007 and 2006:

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Eliminations	Group total Six months ended 30 June 2007 '000 USD
REVENUE								
External sales	19,048	50,739	-	1,814	10,952	902	-	83,455
Inter-segment sales	-	29	-	389	5	-	(423)	-
Total revenue	19,048	50,768	-	2,203	10,957	902	(423)	83,455
RESULT								
Segment profit before income tax	7,641	10,392	-	21,841	3,328	220	-	43,422
Unallocated expenses, net								(664)
Profit before income tax								42,758
Segment capital additions	391,043	78,852	38,308	140	1,339	199	-	509,881
Unallocated capital additions								720
Capital additions								510,601
Segment depreciation expense	-	283	-	-	721	16	-	1,020
Unallocated depreciation expense								263
Depreciation expense								1,283

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Eliminations	Group total Six months ended 30 June 2006 '000 USD
REVENUE								
External sales	-	22,420	-	1,698	9,701	3,340	-	37,159
Inter-segment sales	-	-	-	325	11	-	(336)	-
Total revenue	-	22,420	-	2,023	9,712	3,340	(336)	37,159
RESULT								
Segment profit before income tax	12,564	13,441	-	4,493	4,468	214	-	35,180
Unallocated expenses, net								(6,017)
Profit before income tax								29,163
Segment capital additions	40,336	97,811	19,697	-	70	-	-	157,914
Unallocated capital additions								155
Capital additions								**158,069**
Segment depreciation expense	-	227	-	-	650	-	-	877
Unallocated depreciation expense								143
Depreciation expense								1,020

Financial information relating to the Group's consolidated segments is as follows as of 30 June 2007 and 31 December 2006:

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group total 30 June 2007 '000 USD
OTHER INFORMATION							
Segment assets	949,750	724,810	467,948	76,719	58,018	63	2,277,308
Unallocated assets							231,090
Eliminations							(99)
Total assets							2,508,299
Segment liabilities	118,727	304,790	128,661	13,427	24,258	-	589,863
Unallocated liabilities							9,588
Eliminations							(99)
Total liabilities							599,352

'000 USD	Land holdings	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Group total 31 December 2006 '000 USD
OTHER INFORMATION							
Segment assets	457,573	564,027	183,975	37,419	52,438	481	1,295,913
Unallocated assets							359,692
Eliminations							(126)
Total assets							1,655,479
Segment liabilities	15,743	270,243	63,579	8,871	24,886	1,628	384,950
Unallocated liabilities							8,934
Eliminations							(126)
Total liabilities							393,758

38. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of 30 June 2007 material commitments of the Group for capital expenditures outstanding under concluded contracts approximated USD 336 million. The Group has early termination rights for all concluded capital construction contracts.

Operating leases – The Group‘s future minimum rental payments under non-cancellable operating leases are presented in the table below.

	30 June 2007 '000 USD	31 December 2006 '000 USD
Not later than 1 year	316	364
Later than 1 year but not later than 5 years	680	667
Later than 5 years	3,474	3,430
Total operating lease	4,470	4,461

Timonino land acquisition – In April 2006 the Board of Directors approved the Group's participation in the Timonino project, which includes the acquisition of approximately 137 hectares of land at Kievskoye Shosse. As of 30 June 2007 the Group made advance payments under the project of USD 48 million (Note 7).

Large Pestovo land acquisition – In September 2006 the Board of Directors approved the Group's participation in the Bolshoye Pestovo project, which includes the acquisition of up to approximately 1,000 hectares of land in the Moscow region near Pestovo reservoir. The Group acquired subsidiaries for USD 62.9 million (Note 35) holding approximately 352 hectares of land. The remaining balance of advances paid under the project was USD 124 million as of 30 June 2007 (Note 7).

New land acquisition program – In December 2006 the Board of Directors approved the Group's participation in a new land acquisition program. Total approved spending for land acquisition in the Moscow, Tver and Yaroslavl regions approximates USD 395 million. The Group acquired subsidiaries for USD 59.6 million (Note 35) holding approximately 3,244 hectares of land. The remaining balance of advances paid under the project was USD 310 million as of 30 June 2007 (Note 7).

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

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

Pensions and retirement plans – Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As of 30 June 2007 and 31 December 2006, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

39. SUBSEQUENT EVENTS

On 19 July 2007 the Company registered a prospectus for the additional issue of 2,038,930 shares (Note 16) with the FFMS. The FFMS have sanctioned circulation of additional 509,732 shares outside Russia.

In July 2007 the Group established a 100% interest subsidiary OPIN-Koprino LLC, which is planned to be the holding company for the realisation of projects in the Yaroslavl region.

40. RISK MANAGEMENT POLICIES

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

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

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

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

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

*Buyers/Sellers of Propert*y: Financial guarantees (bank guarantees, letters of credit or similar bank instruments) or advance performance of counterparty's obligations are usually required from each potential buyer/seller.

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

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

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

The Group minimizes, to the extent possible any disproportion between the currencies of its major income and expense items, and between its assets and liabilities. The Group currently maintains the US dollar as the currency for most of its contracts with service providers, tenants, buyers and sellers of property, and debt instruments outstanding. If due to the Russian Law any settlement shall be in Russian Roubles, the Group still sets prices and values in US Dollars and performs the settlements in Russian Rouble equivalents, calculated on the basis of US Dollar price or value using the prevailing exchange rate of the Central Bank of the Russian Federation. The Group does not hedge its currency risk.

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

All the Group's debt instruments outstanding as of 30 June 2007 are fixed rate. The Group plans to continue borrowing at a fixed rate in the future. For any future borrowing at variable interest rate the Group will consider the possibility of hedging its interest risk.

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

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

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

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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