JSC OPIN
and Subsidiaries

Consolidated Financial Statements
For the Year Ended 31 December 2009

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 financial statements of Joint Stock Company Open Investments ("JSC OPIN") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as of 31 December 2009, the consolidated results of its operations, changes in equity and cash flows for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting principles;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

On behalf of Group's management, the consolidated financial statements for the year ended 31 December 2009 were authorized for issue on 21 May 2010 by:

Alexander A. Kartsev

General Director
JSC OPIN

21 May 2010
Moscow, Russia

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of JSC "OPIN" and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated 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 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and the consolidated results of its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

21 May 2010
Moscow, Russia

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009

	Notes	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
ASSETS				
NON-CURRENT ASSETS:				
Goodwill	5	514	529	633
Intangible assets	6	1,760	3,375	565
Property, plant and equipment	7	29,793	119,134	122,906
Capital advances	8	57,286	955,252	863,832
Investment property	9	1,272,899	63,669	102,656
Investment property under development	10	53,300	556,389	1,350,810
Inventories	12	417,483	915,821	98,460
Deferred tax assets	20	127,366	18,246	14,313
Other non-current assets	11	8,690	65,033	50,657
		1,969,091	2,697,448	2,604,832
CURRENT ASSETS:				
Inventories	12	173,916	590,875	384,272
Advances paid	13	46,995	41,709	18,752
Receivables from customers under construction contracts		48,448	50,783	31,500
Trade accounts receivable	35	3,908	3,330	2,508
Other receivables and prepaid expenses	14,35	21,762	21,369	9,005
Loans to third parties	15	7,900	2,516	20,473
Cash and cash equivalents	16,35	74,590	252,323	427,092
		377,519	962,905	893,602
TOTAL ASSETS		**2,346,610**	**3,660,353**	**3,498,434**
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	17	570,570	570,570	494,316
Additional paid-in-capital	18	1,897,861	1,897,861	1,472,101
Revaluation reserve	19	133,676	496,346	612,605
(Accumulated loss) / retained earnings		(411,749)	147,042	191,028
Translation reserve		(609,878)	(501,380)	-
		1,580,480	2,610,439	2,770,050
NON-CURRENT LIABILITIES:				
Deferred tax liabilities	20	137,804	292,936	351,340
Long-term loans	21,35	300,207	337,117	92,193
Trade and other accounts payable	23	-	903	12,341
		438,011	630,956	455,874
CURRENT LIABILITIES:				
Short-term loans and accrued interest	22	102,077	196,773	103,882
Trade and other accounts payable	23	30,436	32,990	37,631
Taxes payable	24	3,138	3,967	7,371
Advances received from customers for inventories	35	192,468	185,228	123,626
		328,119	418,958	272,510
TOTAL EQUITY AND LIABILITIES		**2,346,610**	**3,660,353**	**3,498,434**

The notes on pages 10 to 67 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 1. The independent auditors' report is presented on pages 2-3.

JSC OPIN AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
CONTINUING OPERATIONS			
REVENUE			
Revenue under construction contracts	25, 35	67,434	125,357
Revenue from sale of goods		97,556	78,783
Land sold	35	153,518	45,089
Revenue on rendering other services	35	4,264	5,107
		322,772	254,336
COST OF SALES			
Cost of construction contracts	26	(53,780)	(89,378)
Cost of goods sold		(80,439)	(60,538)
Cost of land sold		(308,435)	(28,052)
Cost of other services		(640)	(2,075)
		(443,294)	(180,043)
Gross (loss) / profit		**(120,522)**	**74,293**
Selling, general and administrative expenses	28	(29,981)	(48,853)
(Loss) / gain on change in fair value of investment property	9, 10	(639,630)	31,336
Inventory write-down	12	(22,545)	-
Loss on disposal of subsidiaries	34	(210,151)	-
Reversal / (recognition) of impairment loss on non-current assets	5, 7, 8, 10	2,809	(98,668)
Interest income	29, 35	9,881	39,552
Interest expense	30, 35	(47,128)	(30,070)
Net gain / (loss) on foreign currency operations		55,553	(72,632)
Expense under share based payment program		-	(2,292)
Other income		1,784	94
Other expenses	31	(16,555)	(2,033)
Loss before income tax		**(1,016,485)**	**(109,273)**
Income tax benefit	20	163,865	39,225
Loss for the year from continuing operations		(852,620)	(70,048)
DISCONTINUED OPERATIONS			
(Loss) / profit for the year from discontinued operations	33	(51,825)	8,683
Loss for the year		**(904,445)**	**(61,365)**
Attributable to:			
Equity holders of the parent		(904,445)	(61,073)
Minority interest		-	(292)
		(904,445)	**(61,365)**
LOSS PER SHARE:			
Basic and diluted from continuing operations, US Dollars	32	(55.80)	(4.78)
Basic and diluted from continuing and discontinued operations, US Dollars	32	(59.19)	(4.19)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Loss for the year		**(904,445)**	**(61,365)**
OTHER COMPREHENSIVE (LOSS) / INCOME			
Effect of translation to presentation currency		(108,498)	(502,317)
Decrease in revaluation surplus on initial recognition of investment property	9, 19	(21,270)	-
Deferred income tax relating to the decrease in revaluation surplus on initial recognition of investment property	19	4,254	-
Revaluation deficit on land		-	(174,828)
Deferred income tax relating to revaluation deficit on land		-	41,959
Decrease in deferred tax liabilities relating to revaluation deficit due to change in income tax rate		-	33,697
Total other comprehensive loss, net of tax		**(125,514)**	**(601,489)**
Total comprehensive loss for the year		**(1,029,959)**	**(662,854)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(1,029,959)	(661,625)
Minority interest		-	(1,229)
		(1,029,959)	**(662,854)**

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JSC OPIN AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

'000 USD	Share capital	Additional paid-in-capital	Revaluation reserve	Retained earnings	Translation reserve	Equity attributable to the shareholders of the parent company	Minority interest	Total equity
Balance as of 31 December 2007	**494,316**	**1,472,101**	**612,605**	**191,028**	**-**	**2,770,050**	**-**	**2,770,050**
							-	
Issue of shares (Note 17, Note 18)	71,420	421,685	-	-	-	493,105	-	493,105
Sale of treasury shares (Note 17, Note 18)	4,834	1,783	-	-	-	6,617	-	6,617
Minority interest arising on acquisition of subsidiaries	-	-	-	-	-	-	18,497	18,497
Acquisition of minority interest in existing subsidiaries	-	-	-	-	-	-	(17,268)	(17,268)
Expense under share-based payment program	-	2,292	-	-	-	2,292	-	2,292
Release of revaluation surplus on disposed assets (Note 19)	-	-	(17,087)	17,087	-	-	-	-
Total comprehensive loss for the year	-	-	(99,172)	(61,073)	(501,380)	(661,625)	(1,229)	(662,854)
Balance as of 31 December 2008	**570,570**	**1,897,861**	**496,346**	**147,042**	**(501,380)**	**2,610,439**	**-**	**2,610,439**
Release of revaluation surplus on disposed assets (Note 19)	-	-	(345,654)	345,654	-	-	-	-
Total comprehensive loss for the year	-	-	(17,016)	(904,445)	(108,498)	(1,029,959)	-	(1,029,959)
Balance as of 31 December 2009	**570,570**	**1,897,861**	**133,676**	**(411,749)**	**(609,878)**	**1,580,480**	**-**	**1,580,480**

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JSC OPIN AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 000'USD	Year ended 31 December 2008 000'USD
OPERATING ACTIVITIES:			
Loss before income tax from continuing operations		(1,016,485)	(109,273)
(Loss) / profit before income tax from discontinued operations		(64,476)	11,438
Adjustments for:			
Depreciation and amortization expense		8,097	10,201
(Gain) / loss on disposal of property, plant and equipment		(1,015)	149
Net (gain) / loss on foreign currency operations		(55,553)	72,632
(Reversal) / recognition of impairment loss on non-current assets		(2,809)	98,668
Inventory write-down		22,545	-
Interest income		(9,881)	(39,552)
Gain on short-term investments		(59)	(127)
Interest expense		47,128	30,070
Loss on disposal of subsidiary	34	210,151	-
Expense under share-based payment program		-	2,292
Loss / (gain) on change in fair value of investment property		639,630	(31,336)
Provision for doubtful accounts		8,991	-
Loss on disposal of operations, before income tax	33	61,741	-
Operating cash flow before movements in working capital		**(151,995)**	**45,162**
Decrease in land held for sale		276,650	23,343
Increase in property under development held for sale		(23,278)	(112,693)
Decrease/(increase) in work in progress and finished goods		21,221	(7,496)
Decrease in other assets		114	201
Increase in receivables from customers under construction contracts		(11,091)	(29,000)
Increase in other receivables and prepaid expenses		(947)	(562)
Decrease / (increase) in trade accounts receivable		5,916	(607)
Decrease / (increase) in value added tax recoverable		17,067	(25,876)
Decrease / (increase) in advances paid		49,218	(30,783)
(Decrease) / increase in long-term accounts payable		(837)	6,872
Decrease in trade and other accounts payable		(33,715)	(14,130)
Increase in advances received from customers for property under development held for sale		16,783	57,241
(Decrease) / increase in advances received from customers for land plots		(4,788)	39,699
(Decrease) / increase in taxes payable		(168)	1,011
Cash generated from / (used in) operations		160,150	(47,618)
Interest paid		(42,974)	(27,585)
Income tax paid		(12,693)	(33,073)
Net cash generated from / (used in) operating activities		**104,483**	**(108,276)**
INVESTING ACTIVITIES:			
Acquisition of subsidiaries, net of cash acquired		-	(393,256)
Disposal of subsidiaries	34	145,833	-
Loans issued		(5,245)	-
Loans repaid		158,849	15,628
Interest received		18,213	22,089
Proceeds from sale of investment property	33	38,684	-
Purchase of investment property		(669,188)	(3,208)
Proceeds from sale of property, plant and equipment		23,807	320
Purchase of property, plant and equipment and other non-current assets		(55,655)	(324,132)
Purchase of land and properties under development		(75,038)	(136,310)
Net cash used in investing activities		**(419,740)**	**(818,869)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 000'USD	Year ended 31 December 2008 000'USD
FINANCING ACTIVITIES:			
Proceeds from issuance of shares		-	499,722
Reduction of finance lease liability		-	(12,591)
Loans received		254,896	436,031
Repayment of loans		(140,254)	(117,912)
Net cash from financing activities		**114,642**	**805,250**
EFFECT OF TRANSLATION TO PRESENTATION CURRENCY		22,882	(52,874)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(177,733)	(174,769)
CASH AND CASH EQUIVALENTS, beginning of the year	**16**	252,323	427,092
CASH AND CASH EQUIVALENTS, end of the year	**16**	**74,590**	**252,323**

Interest expense capitalized by the Group during the year ended 31 December 2009 amounted to USD 10,699 thousand (31 December 2008 – USD 9,235 thousand).

Capitalized interest in the amount of USD 3,667 thousand was unpaid as of 31 December 2009 (31 December 2008 – USD 3,552 thousand).

The notes on pages 10 to 67 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 1. The independent auditors' report is presented on pages 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 residential housing and commercial real estate and land holdings. The principal operating office of the Company is located at 23 Novoslobodskaya str., Moscow, 127055, Russian Federation.

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

Further details regarding the activities and countries of incorporation of the Group's principal subsidiaries are presented in Note 41.

As of 31 December 2009, 2008 and 2007 the shareholders' structure of the Company was as follows:

Shareholder	**31 December 2009**	**31 December 2008**	**31 December 2007**
Rosbank JSCB OJSC (nominee)	54.74%	54.80%	1.40%
Depository Clearing Company CJSC (nominee)	39.99%	20.61%	12.30%
ING Bank (Eurasia) CJSC (nominee)	2.47%	11.40%	12.02%
The National Depository Center (nominee)	1.24%	11.37%	-
Motherlane Properties Limited	-	-	37.97%
KM Invest JSC	-	-	19.87%
Treasury stock	-	-	0.98%
Others	1.56%	1.82%	15.46%
Total	**100.00%**	**100.00%**	**100.00%**

The ultimate beneficiaries of the Company are Mr. Vladimir O. Potanin and Mr. Mikhail D. Prokhorov.

Brief description of major activities

Major operating activities of the Group in the year ended 31 December 2009 were as follows:

Land bank

At 31 December 2009 the Group held approximately 32.5 thousand hectares of land located in different parts of Russia (mostly in Klin, Dmitrov, Mytischi districts of the Moscow region, in Tver region and near Rublyovskoe Shosse). At the date when these consolidated financial statements were approved for issuance management had no formally approved plan for further use of these land plots.

Residential property

In the year ended 31 December 2009 the Group was engaged in development of the following residential cottage communities in the Moscow region of Russia.

Pavlovo-1 Cottage Community

Pavlovo-1 Cottage community is located in the Istrinsky district, Moscow region, 14 km from the Moscow Ring Road and about 4 kilometers from the Novorizhskoe Highway. The community consists of approximately 200 single-family houses with individual plot areas from 0.2 to 0.7 hectares.
All houses are connected to a central utility service. As of 31 December 2009 construction of the houses has been completed and the houses are being offered for sale.

Pavlovo-2 Cottage Community

Pavlovo-2 Cottage community is the second stage of Pavlovo project and is effectively an extension of Pavlovo-1. This is a mixed-type community development including three types of buildings: approximately 146 single-family houses, 71 townhouses with 290 apartments and 8 low-rise buildings containing 380 apartments. At 31 December 2009 the project is at on interim stage of development.

Pestovo Cottage Community

Pestovo Cottage Community is located 22 km from Moscow close to the Dmitrovskoye Highway in the Mytischi district, Moscow region. The community is located on the shore of the Pestovo Reservoir and consists of approximately 415 single-family houses. At 31 December 2009 the project is at on interim stage of development.

Martemianovo Cottage Community

Martemianovo Cottage Community is located 27 km from the Moscow Ring Road close to the Kievskoe Highway. At 31 December 2009 the project is at on interim stage of development; however in the reporting year the Group was offering for sale land plots without cottages as well as cottages under construction.

Commercial property development

At 31 December 2009 the Group was engaged in a single commercial development project – A.I. Raikin Retail and Entertainment Center. The A.I. Raikin Retail and Entertainment Center is being constructed in the North-Eastern Administrative District of Moscow. Once construction is completed, the center will consist of two buildings: one will contain a commercial center and the other one will contain a theater school/studio. The A.I. Raikin Cultural Support and Development Fund is the Group's partner in this project.

Fabricated homes

Custom home packages are designed, engineered and manufactured at the Group's own premises located in Canada. These home packages are traded to both owner/builder clients and professional contractors mainly in Canada, USA and Japan, with also a small fraction dedicated for the Group's internal use in construction of residential property.

Hotel operations

In the reporting year the Group operated the Hotel Novoslobodskaya (under "Novotel" brand) in Moscow. These operations were discontinued at the end of 2009 upon termination of lease agreement for the hotel building (Note 33).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Standards and Interpretations effective in the current period

The following new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB have been adopted in the current period and have affected the amounts reported in these consolidated financial statements or the Group's accounting policies:

- IAS 1 "Presentation of Financial Statements" (amendment) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the amended Standard has required the presentation of a third consolidated statement of financial position at 31 December 2007, because the Group has made reclassifications in the consolidated income statement for the year ended 31 December 2008 in respect of discontinued operations (Note 33).

- As part of Improvements to IFRSs (2008), IAS 40 "Investment Property" ("IAS 40") has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group's general accounting policy, investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognized in profit or loss. The Group had previously accounted for such assets as follows:
  - Commercial property under development – at cost less accumulated impairment losses under IAS 16 "Property, Plant and Equipment" ("IAS 16");
  - Land under development for commercial purposes and land with undetermined future use – at fair value as determined by independent appraisers following the alternative treatment allowed by IAS 16.

  The change has been applied prospectively from 1 January 2009 in accordance with the relevant transitional provisions, resulting in recognition of a loss on revaluation of the commercial property under development of USD 3,763 thousand. Although adoption of the amendment to IAS 40 has resulted in a change of the Group's accounting policy, this change has had no impact on the carrying amount of investment properties recognized in the Group's consolidated statement of financial position at 31 December 2009 since under the previous accounting policy the Group would have been required to recognize an equal impairment loss of USD 3,763 thousand.

- The Group has adopted IFRS 8 "Operating Segments" ("IFRS 8") with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result of the adoption of IFRS 8, management has reviewed the segment information reported externally in the prior years and determined that the existing identification of the Group's reportable segments complies with IFRS 8 principles. Thus the adoption of IFRS 8 by the Group has not resulted in a change in reportable segments previously disclosed by the Group.

Standards and Interpretations in issue not yet adopted

At the date of approval of the Group's consolidated financial statements, the following new and revised Standards and Interpretations have been issued, but are not effective for the current year:

New or revised IFRS and Interpretations issued by IFRIC	Effective for annual periods beginning on or after
IAS:	
IAS 1 "Presentation of Financial Statements" – amendments	1 January 2010 and 1 January 2011
IAS 7 "Statement of Cash Flows" – amendment	1 January 2010
IAS 17 "Leases" – amendment	1 January 2010
IAS 24 "Related Party Disclosures" – revised	1 January 2011
IAS 27 "Consolidated and Separate Financial Statements" – consequential amendments arising from amendments to IAS 1, further amendment	1 July 2009 and 1 July 2010
IAS 28 "Investments in Associates" – consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31 "Interests in Joint Ventures" – consequential amendments arising from amendments to IAS 27	1 July 2009
IAS 32 "Financial Instruments: Presentation" – amendment	1 July 2009
IAS 34 "Interim Financial Reporting" – amendment	1 January 2011
IAS 36 "Impairment of Assets" – amendment	1 January 2010
IAS 38 "Intangible Assets" – amendment	1 July 2009
IAS 39 "Financial Instruments: Recognition and Measurement" – amendments	30 June 2009, 1 July 2009 and 1 January 2010
IFRS:	
IFRS 1 "First-time Adoption of International Financial Reporting Standards" – revised and restructured, amendments	1 July 2009, 1 January 2010, 1 July 2010 and 1 January 2011
IFRS 2 "Share-based Payment" – amendments	1 July 2009 and 1 January 2010
IFRS 3 "Business Combinations" – comprehensive revision on applying the acquisition method, amendment	1 July 2009 and 1 July 2010
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – amendments	1 July 2009 and 1 January 2010
IFRS 7 "Financial Instruments: Disclosures" – amendment	1 January 2011
IFRS 8 "Operating Segments" – amendment	1 January 2010
IFRS 9 "Financial Instruments" – classification and measurement	1 January 2013
Interpretations issued by IFRIC:	
IFRIC 13 "Customer Loyalty Programmes" – amendment	1 January 2011
IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – amendment	1 January 2011
IFRIC 17 "Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 18 "Transfers of Assets from Customers"	1 July 2009
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010

Management anticipates that those Standards and Interpretations which are relevant to the Group's business will be adopted in the Group's consolidated financial statements for the respective periods. The impact of adoption of these Standards and Interpretations on the consolidated financial statements of future periods is currently being assessed by management.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

The Group's activity in all of its operating segments has recently been adversely affected by the uncertainty and instability in financial, currency and commodity markets resulting from the global financial crisis. As a result of this instability, which has had a particularly adverse impact on the Russian real estate industry, the Group has experienced a deteriorating financial position characterized by on-going losses (USD 904,445 thousand in 2009 and USD 61,365 thousand in 2008) and a decrease in the carrying amount of its assets from USD 3,660,353 thousand at 31 December 2008 to USD 2,346,610 thousand at 31 December 2009.

In course of 2009 Group management developed a detailed restructuring plan designed to improve the Group's liquidity position and ensure a strong cash position sufficient for the Group to continue its operating activities through 2010 and the foreseeable future. The following was completed by the Group as a part of this restructuring plan up to the date when these consolidated financial statements were approved for issuance:

- In course of 2009 the Group has disposed of various assets including land plots located in different regions of Russia, "Meyerhold" and "Domnikov" business centers, hotel "Novoslobodskaya", school in Pavlovo and other assets which resulted in net cash inflow to the Group of approx. USD 345 million (Notes 33 and 34);
- New long-term loans with the total principle of USD 61,735 thousand and maturing in 2011 were obtained from Investments+ LLC and Desparanko Holdings Co Limited (Note 21);
- Loans to JSCB Savings Bank of the Russian Federation and ING Bank B.V. which were due in 2009 were either fully or partially repaid (Notes 21 and 22);
- The Group obtained loans with the total principle of USD 100 million from VTB Bank (Deutschland) with repayment schedule starting from 2010 (Notes 21 and 22);
- Group management reviewed its operating activities in Russia and took a strategic decision for the Group to concentrate on the completion of its cottage community projects ("Pavlovo-1", "Pavlovo-2", "Pestovo", "Martemianovo") which in management's view will generate solid operating cash inflows in the foreseeable future. All other Russian activities of the Group (such as completion of "Raikin" business centre) have been put on hold in order to minimize cash outflows from these activities.

In addition, subsequent to the end of the reporting period the Group has completed the restructuring of a loan due to ZAO Raiffeisenbank (an amount of USD 50,000 thousand is now repayable in December 2011) and obtained commitments from one of its major shareholders to provide financial support sufficient for the Group to continue its operating activities and repay its obligations as they fall due in the foreseeable future.

Although there exists an uncertainty regarding the Group's ability to generate cash inflows sufficient for the Group to repay its obligations as they fall due, management believes that the Group has adequate resources (which comprise cash balance of USD 74,590 thousand as of 31 December 2009 and net cash inflows of USD 57,000 thousand expected to be derived from operating activities within 12 months after the end of the reporting period) to continue as a going concern in the foreseeable future.

Basis of preparation

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

- Fair value of subsidiaries acquired in accordance with IFRS 3;
- Valuation of investment property in accordance with IAS 40;
- Inventories carried at net realizable value in accordance with IAS 2;
- Valuation of financial instruments in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”).

Statutory accounting principles and procedures in the countries where the Group’s subsidiaries are incorporated differ substantially from those generally accepted under IFRS. Accordingly, these consolidated financial statements, which have been prepared from the local statutory accounting records for entities of the Group domiciled in the Russian Federation and Canada, 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.

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

Changes in accounting policies

In these consolidated financial statements the Group used the same accounting policies as those used in preparation of consolidated financial statements for the year ended 31 December 2008 except for those changes in accounting policies which were triggered by the adoption of the new and revised standards and interpretations. These changes in accounting policies are disclosed in Note 2.

Functional and presentation currencies

The functional currency of the Group's entities except for Growth Technologies (Russia) Limited, Onigomati Investment Limited, OPIN CAPITAL INC. and Viceroy Homes Limited, is Russian Rubles (“RUB”). The functional currency of Growth Technologies (Russia), Onigomati Investment Limited and OPIN CAPITAL INC. is USD. The functional currency of Viceroy Homes Limited is Canadian Dollar (“CAD”).

Prior to 1 January 2008, it was determined that USD was the functional currency of all of the Group’s entities.

Effective 1 January 2008, the functional currency of the Group's entities except for Growth Technologies (Russia) Limited, Onigomati Investment Limited, OPIN CAPITAL INC. and Viceroy Homes Limited, was changed by the Group's management from USD to Russian Rubles (“RUB”) because of significant changes in the economic facts and circumstances of the Group's operations.

The presentation currency of the Group is USD because management believe using the USD is more convenient and relevant for users of the consolidated financial statements.

The translation into USD of the financial statements of the Group's subsidiaries with a functional currency other than USD is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at each reporting date;
- All items included in the consolidated statement of changes in equity, other than net profit or loss, are translated at historical exchange rates;
- All income and expenses in the consolidated income statement are translated at exchange rates in effect when the transactions occur. For those transactions that occur evenly over the period an average exchange rate for the period is applied;
- Resulting exchange differences are recognized in other comprehensive income and accumulated in the consolidated statement of changes in equity as “Translation reserve”; and

- In the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates of the beginning and end of each year. All cash flows are translated at exchange rates in effect when the cash flows occur. For those cash flows that occur evenly over the period, an average exchange rate for the period is applied. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as “Effect of translation to presentation currency”.

As of 31 December 2009, 2008 and 2007, exchange rates of 30.24 RUB, 29.38 RUB and 24.55 RUB to 1 USD, respectively, have been used for translation purposes. The average exchange rates for the years ended 31 December 2009 and 2008 were 31.72 RUB and 24.86 RUB to 1 USD, respectively.

The RUB is not a freely convertible currency outside the territory of the Russian Federation. Accordingly, translation of amounts recorded in RUB into USD should not be considered as a representation that RUB amounts have been, could be, or will in the future be converted into USD at the exchange rate shown or at any other exchange rate.

Foreign currency transactions and balances

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the period end. All resulting differences are recognised in the consolidated income statement.

Principles of consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as those of the Company; 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 and any unrealized profits or losses arising from intra-group transactions are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognized and measured at fair value less costs to sell.

When a business combination is achieved in stages, each exchange transaction is treated separately for the purpose of determining the fair values of the acquiree’s identifiable assets, liabilities and contingent liabilities and for determining the amount of any goodwill on that transaction.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Goodwill

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

Intangible assets

Intangible assets are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives, which is in a range of 2-5 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment other than owner-occupied property transferred from investment property is carried at historical cost 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 income statement as incurred.

Owner-occupied property transferred from investment property carried at fair value is subsequently accounted for at deemed cost which represents its fair value at the date of such transfer.

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 prescribed annual rates:

Buildings	2.5%
Fittings and fixtures	6.7%-10%
Machinery and equipment	5%-20%
Transport	20%
Furniture and office equipment	14%-33%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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 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.

Capital advances

Capital advances represent amounts paid to vendors for capital construction, acquisition of property, plant and equipment, land plots and investment property. Capital advances are carried at cost less any accumulated impairment loss.

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. Investment property also includes land with a currently undetermined future use which comprises land for which the Group has not determined whether it will use the land as owner-occupied property or for short-term sale in the ordinary course of business.

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 has elected to use the fair value model to measure investment property subsequent to initial recognition and accordingly investment property is stated at fair value in the Group's consolidated statement of financial position. Gains and losses arising from changes in the fair value of investment property are included in the consolidated income statement in the year in which they arise.

Where an investment property is partly occupied by the Group, the part occupied is accounted for as the Group's own property, plant and equipment and accounted for accordingly. The part of the property which is used as investment property is stated at fair value which is determined by reference to occupancy ratios.

Transfers to, or from, investment property are made when, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property;
- Commencement of an operating lease to another party, for a transfer from inventories to investment property.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's fair value at the date of transfer is considered as deemed cost for accounting purposes.

Investment property under development

Investment property under development comprises commercial property under development and land under development for commercial purposes.

Investment property under development is originally recorded at cost. Subsequent expenditure relating to an investment property under development is added to the carrying amount of the investment property under development when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property under development, will flow to the enterprise. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

The Group has elected to use the fair value model to measure investment property under development subsequent to initial recognition and accordingly investment property is stated at fair value in the Group's consolidated statement of financial position. Gains and losses arising from changes in the fair value of investment property under development are included in the consolidated income statement in the year in which they arise.

<u>Commercial property under development</u>

Commercial property under development represents buildings that are being constructed for future use as investment property. When the construction is completed, such buildings are transferred to investment property.

If, after or in the course of the development process, management's intentions relating to a certain property change, such property is transferred to inventories (as property under development held for sale) or property, plant and equipment and its carrying amount at the date of transfer is considered as its cost as of that date.

<u>Land under development for commercial purposes</u>

Land under development for commercial purposes represents land, which is in the process of development by the Group for future use as investment property, and also land undergoing site preparation or change in use.

If, after or in the course of the development process, management's intentions relating to a certain land parcel is changed, such parcel is transferred to inventories (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 deemed cost as of that date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories transferred from investment property or investment property under development carried at fair value are recorded at deemed cost which is the property's fair value at the date of transfer.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity.

In the Group's consolidated statement of financial position inventories are split between non-current and current assets based on whether particular inventories will be consumed by the Group within 12 months after the period end (current assets) or after 12 months from the period end (non-current assets).

Impairment of tangible and intangible assets excluding goodwill

At each period end, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end in accordance with the laws of the Russian Federation, Canada, USA and Cyprus.

Deferred tax

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Cash and cash equivalents

Cash includes petty cash, cash held on current bank accounts and short-term deposits with banks. Cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets

Financial assets are recognised when the Group has become a party to the contractual arrangement of the instrument and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt securities other than those financial assets designated as at fair value through profit or loss.

<u>Financial assets at fair value through profit and loss</u>

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

<u>Held-to-maturity investments</u>

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given.

Securities are subsequently measured at fair value, with such re-measurement recognized separately in equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment unless there are other appropriate and workable methods of reasonably estimating their fair value.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the period end. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Accounts receivable are stated at cost less any allowance for doubtful accounts. Such provisions reflect either specific cases or estimates based on evidence of collection.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings

Loans and borrowings are recognised at cost, net of transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the income statement as interest expense over the life of the obligation.

Trade and other accounts payable

Liabilities for trade and other amounts payable are stated at their nominal value.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

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.

Land plots accounted for as inventories are classified as qualifying assets where it is expected to take a substantial period of time to have them ready for intended use or sale. Borrowing costs directly attributable to the acquisition of such land plots are added to the cost of these assets.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

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 and become legally payable.

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 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.

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 recognized 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 recognized on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognized 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 statement of financial position 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 capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized 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 recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the period end, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue recognition

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

- Hotel and associated revenues are recognized when rooms are occupied and services are rendered.
- Revenue from the sale of land is recognized when legal title passes to the buyer.
- Revenue from the sale of residential properties is recognized when construction is complete and the property is transferred to the buyer.

Construction contracts

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 period end, 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.

Retirement and other benefit obligations

The Group does not have any pension arrangements other than those which are stipulated by the statutory legislation of the countries where the Group's subsidiaries are incorporated. Mainly, this is represented by the Russian State pension plan which requires current contributions by the employer to be calculated as a percentage of current gross salary payments; such expense is charged in the same period in which 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 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 financial statements but disclosed when an inflow of economic benefits is probable.

Discontinued operations

The Group presents information on discontinued operations in case of disposal or classification as held for sale of a separate component of the Group which presents a separate major line of business or geographical area of operations and is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Comparative information presented in the consolidated income statement is adjusted in such a way as if operations were discontinued starting from the beginning of the prior period. Comparative information presented in the consolidated statement of financial position for the prior period relating to discontinued operations is not adjusted.

Segment information

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports used by the Group's chief operating decision maker to oversee operations and make decisions on allocating the resources. The Group has identified the Chairman of the Board of Directors and the General Director as its chief operating decision makers and the internal reports used by the top management team to oversee operations and make decisions on allocating the resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on current management structure, the Group has identified six reportable segments: land holdings, residential property, fabricated homes, commercial property development, commercial property (disposed of in 2009) and hotel operations (disposed of in 2009). The Group's operations are based in the Russian Federation, Canada, USA and Japan.

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

Reclassifications

Certain comparative information, presented in the consolidated financial statements for the year ended 31 December 2008, has been reclassified in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2009. Details of significant reclassifications made in the consolidated statement of cash-flows for the year ended 31 December 2008 are as follows:

Nature of reclassification	Amount '000 USD	Previously reported as	Reported after reclassification as
Classification of net loss on foreign currency operations	72,632	Effect of translation to presentation currency	Operating cash flow before movements in working capital

Except for the reclassification mentioned above, no reclassifications made are material individually or in aggregate for these consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

<u>Fair value of investment property and investment property under development</u>

In compliance with its accounting policies, the Group is required to recognize investment property and investment property under development at fair values, which are derived from a number of sources, namely market prices, independent appraisers and management estimates. These estimates are based on valuation techniques which require considerable judgment in predicting future cash flows and developing other assumptions. Due to absence of an active market for certain of the Group's assets, the estimation of fair value of these assets include assumptions not directly supportable by observed market prices or rates.
The carrying amounts of the Group's assets carried at fair value (where gains and losses arising from changes in the fair value are recognized in the income statement) as of 31 December 2009, 2008 and 2007 are as follows:

	31 December 2009 '000 USD	**31 December 2008 '000 USD**	**31 December 2007 '000 USD**
Investment property (Note 9)	1,272,899	63,669	102,656
Commercial property under development (Note 10)	53,300	247,333	135,764
Land under development (Note 10)	-	309,056	1,215,046

Management's assessment of fair value of agricultural land plots included in the Group's investment property (and those land plots where management intends to change the category of authorized usage) was based on valuation carried out by the independent appraisers. For the purpose of identifying fair value, the recoverable amount of land plots was determined as value in use, being estimated future cash flows from either the use of these land plots in development activities (such as construction and selling of cottages) or selling of the land plots to third parties, discounted to their present value based on a number of assumptions.

Below are the key assumptions used to determine the fair value of the Group's major agricultural land plots which are located in Klin and Dmitrov districts of the Moscow region:

Assumption	**Klin district**	**Dmitrov district**
Cash inflows derived from	Sale of land plots	Sale of land plots
Discount rate	16.5%-20%	16.5%-20%
Expected period of sale of land plots	2010-2015	2010-2015
Land plots selling price in 2010, US Dollars per 100 square meters (price range reflects location of different land plots)	500-1,000	420-576
Projected increase in selling prices	Increasing growth rates: from 5% in 2011 to 14% in 2015	Increasing growth rates: from 5% in 2011 to 14% in 2015

Due to significant uncertainty associated with the estimation of the future cash flows generated by land plots, management performed a sensitivity analysis in respect of fair values of land plots located in Klin and Dmitrov districts using the below assumptions:

Assumption	Klin district	Dmitrov district
Cash inflows derived from	Sale of land plots	Sale of land plots
Discount rate	16.5%-20%	16.5%-20%
Expected period of sale of land plots	2011-2020	2011-2020
Land plots selling price in 2010, US Dollars per 100 square meters (price range reflects location of different land plots)	500-1,000	420-576
Projected increase in selling prices	2010: no change in selling prices; 2011–2020: 2-10% growth	2010: no change in selling prices; 2011–2020: 2-10% growth

If the above assumptions were used in management's fair value analysis, this would have resulted in additional loss on change in fair value of investment property of approx. USD 138,000 thousand.

Management also performed a sensitivity analysis in respect of the fair values of the Group's land plots located in Odintsovo district. The fair value of this land plot was determined by as value in use, being estimated future cash flows from selling of the land parcels to third parties, discounted to their present value based on the following key assumptions:

Assumption	Odintsovo district
Cash inflows derived from	Sale of land plots
Discount rate	11.3%-18.6%
Expected period of sale of land plots	2010-2012
Land plots selling price in 2010, US Dollars per 100 square meters (price range reflects location of different land plots)	28,800-51,300
Projected increase in selling prices	8% growth per annum

In management's view the estimation of the fair value of land plots located in Odintsovo district are particularly sensitive in relation to the forecasted selling price. Management estimated that 15% decrease in the forecasted selling prices would have resulted in additional loss on change in fair value of investment property of approx. USD 10,000 thousand.

Management believes that the assumptions used in the original fair value analysis for the land plots located in Klin, Dmitrov and Odintsovo districts are more probable and therefore no adjustment was reflected in these consolidated financial statements as a result of the alternative fair value analysis.

Assessment of net realizable value of inventories

Estimates of net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices and cost directly relating to events occurring subsequent to the period end to the extent that such events confirm conditions existing at the end of the period.

In assessing net realizable value of the Pestovo Cottage Community land plots included in the Group's inventory balance, management used sale prices as per sales contracts signed at the reporting date as adjusted for a five-percent discount being a fee which would have to be paid by a customer in case of contract cancellation.

Based on assessment performed management believes that all necessary adjustments have been made to state inventories at their net realizable value where it is lower than cost in the Group's consolidated statement of financial position as of 31 December 2009, 2008 and 2007.

Impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of an asset or a cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 20% that reflects current market assessment of the time value of money and the risks specific to the assets.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and, ultimately, the amount of any impairment.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques which require considerable judgment in forecasting future cash flows and developing other assumptions.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations which changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to transactions and activity of the Group's entities may not coincide with that of management.
As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. In Russia periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Deferred tax assets

Deferred tax assets are reviewed at each period end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets must be reduced, this reduction will be recognized in the income statement.

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 financial statements (apart from those involving estimations, which are dealt with above):

Revenue recognition: construction contracts

Profits in respect of contracts will be recognized by reference to the stage of completion when an estimate of a profitable outcome can be measured reliably. Determining the outcome of a contract requires estimation of costs to complete and in certain instances estimates of any variations in the contract work.

Note 26 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 financial statements. Following negotiation of the terms of these construction contracts, a schedule of work was agreed, which will involve additional Group expenditure until 2010. 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 38,729 thousand in the current period, in line with the Group's general policy of recognizing revenue from construction contracts.

In making their judgment, management considered the detailed criteria for the recognition of revenue from 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, management is satisfied that recognition of the revenue in the current reporting period is appropriate, in conjunction with recognition of attributable construction costs.

5. GOODWILL

	'000 USD
At 31 December 2007	**633**
Acquisition of subsidiaries	25,516
Goodwill impairment	(25,516)
Translation difference	(104)
At 31 December 2008	**529**
Translation difference	(15)
At 31 December 2009	**514**

6. INTANGIBLE ASSETS

Intangible assets as of 31 December 2009, 2008 and 2007 consisted of the following:

'000 USD	Computer software	Trademarks, licences, production models and logotypes	Total
Cost			
At 31 December 2007	1,044	104	1,148
Acquisition of subsidiaries	-	2,396	2,396
Additions	504	1,655	2,159
Translation difference	(250)	(743)	(993)
At 31 December 2008	1,298	3,412	4,710
Additions	49	-	49
Disposals	(5)	(1,275)	(1,280)
Disposal of subsidiaries (Note 34)	(21)	(58)	(79)
Translation difference	(29)	207	178
At 31 December 2009	1,292	2,286	3,578
Accumulated amortization			
At 31 December 2007	574	9	583
Charge for the period	714	277	991
Translation difference	(205)	(34)	(239)
At 31 December 2008	1,083	252	1,335
Charge for the period	189	315	504
Disposals	-	(65)	(65)
Disposal of subsidiaries (Note 34)	-	(1)	(1)
Translation difference	(21)	66	45
At 31 December 2009	1,251	567	1,818
Carrying amount			
At 31 December 2007	**470**	**95**	**565**
At 31 December 2008	**215**	**3,160**	**3,375**
At 31 December 2009	**41**	**1,719**	**1,760**

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 31 December 2009, 2008 and 2007 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 2007	64,771	4,639	3,265	2,402	54,898	129,975
Additions	13,530	49	1,666	1,237	44,369	60,851
Acquisition of subsidiaries	17,091	1,002	18,412	639	988	38,132
Assets put into operation	390	5,696	23	-	(6,109)	-
Disposals	(279)	-	(322)	(17)	(418)	(1,036)
Transfer from investment property (Note 9)	16,739	-	-	-	-	16,739
Transfer from/(to) land held for development and sale, net (Note 12)	1,891	-	-	-	(190)	1,701
Transfer from land under development for commercial purposes (Note 10)	8,369	-	-	-	-	8,369
Transfer from commercial property under development (Note 10)	-	-	-	-	30,512	30,512
Transfer to commercial property under development (Note 10)	-	-	-	-	(67,674)	(67,674)
Transfer from property under development held for sale, net (Note 12)	-	7	-	-	(5,358)	(5,351)
Translation difference	(20,268)	(1,844)	(3,726)	(699)	(9,082)	(35,619)
At 31 December 2008	102,234	9,549	19,318	3,562	41,936	176,599
Additions	21	1	387	103	10,362	10,874
Assets put into operation	-	1,175	33	130	(1,338)	-
Disposals	(952)	(7,686)	(914)	(130)	(182)	(9,864)
Derecognised on disposal of subsidiaries (Note 34)	(1,330)	(1)	(1,021)	(163)	(1,044)	(3,559)
Disposals classified as discontinued operations (i)	(71,989)	(4)	(799)	(373)	-	(73,165)
Transfer to investment property (ii)	(1,482)	-	-	-	(10,079)	(11,561)
Transfer to land held for development and sale (iii)	(6,548)	-	-	-	(22)	(6,570)
Transfer (to)/from property under development – commercial property (Note 10)	-	-	-	(4)	527	523
Transfer to property under development held for sale (iii)	-	-	-	-	(31,176)	(31,176)
Translation difference	(3,706)	(433)	2,315	(27)	(2,778)	(4,629)
At 31 December 2009	16,248	2,601	19,319	3,098	6,206	47,472
Depreciation and accumulated impairment losses						
At 31 December 2007	4,164	680	1,492	733	-	7,069
Impairment losses charged to profit or loss	8,866	8,991	574	-	33,237	51,668
Charge for the period	2,788	762	4,932	728	-	9,210
Disposals	(3)	-	(41)	-	-	(44)
Translation difference	(2,460)	(1,582)	(1,057)	(220)	(5,119)	(10,438)
At 31 December 2008	13,355	8,851	5,900	1,241	28,118	57,465
Reversal / (recognition) of impairment loss, net (iv)	-	907	(4)	-	193	1,096
Charge for the period	1,476	255	5,177	685	-	7,593
Disposals	(526)	(7,681)	(778)	(41)	(38)	(9,064)
Derecognised on disposal of subsidiaries (Note 34)	(35)	-	(210)	(66)	-	(311)
Disposals classified as discontinued operations (i)	(5,747)	(3)	(750)	(108)	-	(6,608)
Transfer to land held for development and sale (iii)	(6,548)	-	-	-	-	(6,548)
Transfer to property under development – commercial property (Note 10)	-	-	-	(2)	-	(2)
Transfer to property under development held for sale (iii)	-	-		-	(23,628)	(23,628)
Translation difference	(765)	(530)	898	25	(1,942)	(2,314)
At 31 December 2009	1,210	1,799	10,233	1,734	2,703	17,679
Net Book Value						
At 31 December 2007	**60,607**	**3,959**	**1,773**	**1,669**	**54,898**	**122,906**
At 31 December 2008	**88,879**	**698**	**13,418**	**2,321**	**13,818**	**119,134**
At 31 December 2009	**15,038**	**802**	**9,086**	**1,364**	**3,503**	**29,793**

As of 31 December 2009 no property, plant and equipment was pledged as collateral under long-term and short-term loans received by the Group. As of 31 December 2008 a building with a net book value of USD 27,827 thousand was pledged as collateral for a loan received from JSCB Savings Bank of the Russian Federation (Note 21).

During the years ended 31 December 2009 and 31 December 2008, no interest was capitalized in construction in progress.

(i) Disposals classified as discontinued operations

In the reporting period the Group disposed of hotel building with a carrying amount of USD 43,718 thousand owned by the Group subsidiary JSC “Hotel “Novoslobodskaya” together with the leasehold right for the land plot. Loss on disposal of these assets has been recognized in these consolidated financial statements within net loss from discontinued operations (Note 33).

Also, the owner-occupied part of the ‘Meyerhold” office building with the carrying amount of USD 22,524 thousand was disposed of from the property, plant and equipment in connection with the sale of this office building by the Group. Loss on disposal of these assets has been recognized in these consolidated financial statements within net loss from discontinued operations (Note 33).

(ii) Transfer to investment property

In 2009 the Group completed the construction of entertainment centre in Pavlovo Cottage Community and consequently transferred the items with the net carrying amount of USD 11,561 thousand to investment property as the Group intended to earn rental income from the continued use of this asset. Later in course of 2009 the Group disposed of the entertainment centre and derecognized respective investment properties in its consolidated statement of financial position (Note 9).

(iii) Transfer of “Pavlovskaya” school

In 2009 the Group’s management made a decision to dispose of assets relating to “Pavlovskaya” school which comprised unfinished construction of a school and related land plot. This change in management’s intentions resulted in the transfer of assets with the total carrying amount of USD 7,570 thousand from property plant and equipment into the following categories of the Group’s inventories:

- Land held for development and sale – transfer of land with the carrying amount of USD 22 thousand (Note 12);
- Property under development held for sale – transfer of construction in progress with a carrying amount of USD 7,548 thousand (Note 12).

Later in 2009 the Group completed the sale of “Pavlovskaya” school.

(iv) Annual test for impairment

During the reporting year the Group carried out a review of the recoverable amount of its property, plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use or fair value determined by independent appraisers through a valuation complying with International Valuation Standards.

No material impairment loss has been recognized by the Group as a result of such review.

8. CAPITAL ADVANCES

Capital advances as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Advance payments for the acquisition of land plots (i)	50,882	870,864	759,693
Other capital advances	6,404	89,580	104,139
Impairment of capital advances paid for "Pavlovskaya school" construction	-	(5,192)	-
Total	**57,286**	**955,252**	**863,832**

(i) Land acquisition program

Advances paid for land represent land acquisitions legal title to which has not yet been registered.

In December 2006 the Board of Directors approved the Group's participation in a land acquisition program. In course of this program the Group has acquired 22,466 hectares of land in 2009, 6,414 hectares of land in 2008 and 3,596 hectares of land in 2007. For the remaining land, advances were paid amounting to USD 50.9 million as of 31 December 2009.

Capital advances for the acquisition of land plots are interest-bearing. Related interest income is included in other interest income (Note 29) in the consolidated income statement except for that interest income which directly offsets borrowings costs capitalized.

During the year ended 31 December 2009 the Group capitalized interest of USD 4,106 thousand (2008: USD 7,184 thousand) in advances paid for acquisition of land plots which was fully offset by interest income earned.

9. INVESTMENT PROPERTY

'000 USD	Buildings	Land plots	Land plots with buildings	Total
At 31 December 2007	**38,561**	**-**	**64,095**	**102,656**
Additions	-	42	3,166	3,208
Change in fair value	136	29,616	1,584	31,336
Transfer to property, plant and equipment (Note 7)	(16,739)	-	-	(16,739)
Transfer from land with undetermined future use	-	24,126	-	24,126
Transfer to property under development held for sale (Note 12)	-	-	(4,735)	(4,735)
Transfer to land held for sale (Note 12)	-	-	(31,711)	(31,711)
Transfer to finished goods	-	-	(31,602)	(31,602)
Translation difference	(3,789)	(8,284)	(797)	(12,870)
At 31 December 2008	**18,169**	**45,500**	**-**	**63,669**
Additions (i)	-	1,310,236	-	1,310,236
Transfer from property, plant and equipment (iii)	-	-	11,561	11,561
Transfer from land under development for commercial purposes (Note 10)	-	-	702	702
Transfer from land held for development and sale (ii)	-	403,661	-	403,661
Transfer from land held for sale in the ordinary course of business (ii)	-	151,986	-	151,986
Transfer from property under development – commercial property (iii)	-	-	25,838	25,838
Transfer to land held for sale in the ordinary course of business (iv)	-	(42,140)	-	(42,140)
Disposals classified as discontinued operations (v)	(16,570)	-	(37,520)	(54,090)
Change in fair value recognized in profit and loss	-	(635,867)	-	(635,867)
Change in fair value recognized as other comprehensive income (ii)	-	(21,270)	-	(21,270)
Translation difference	(1,599)	60,793	(581)	58,613
At 31 December 2009	**-**	**1,272,899**	**-**	**1,272,899**

At 31 December 2009 all of the Group's investment properties are represented by land plots located in different parts of Russia held by the Group for a currently undetermined future use.

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 capitalization method.

As of 31 December 2009 investment property of USD 120,781 thousand was pledged as collateral for a loan received from JSCB Rosbank (Note 21).

(i) Additions

Additions to investment properties represent 22,466 hectares of land acquired by the Group in 2009 as a part of its land acquisition program (Note 8).

(ii) Transfers from inventories

In 2009 the Group's management has performed a comprehensive review of its strategy in respect of the land bank and as a result it was determined that land plots with the carrying amount of USD 555,647 thousand previously classified as inventories are currently being held by the Group for an undetermined future use. This has resulted in the following transfers from inventories into investment properties:

- Land plots with the carrying amount of USD 403,661 thousand have been transferred from land held for development and sale (Note 12);
- Land plots with the carrying amount of USD 151,986 thousand have been transferred from land held for sale in the ordinary course of business (Note 12).

The decrease in the carrying amount of the land plots at the date of transfer, being the excess of the fair value at the date of transfer over the cost of respective inventories, was recognized in consolidated income statement. However for those land plots that had accumulated revaluation surplus recognized in these consolidated financial statements within revaluation reserve, the decrease in carrying amount was recognized in other comprehensive income and reduced the revaluation reserve of the Group (Note 19).

(iii) Transfer of "Pavlovo Podvorie Retail and Entertainment Complex"

In 2009 the Group completed the construction of "Pavlovo Podvorie Retail and Entertainment Complex" (an entertainment centre in Pavlovo Cottage Community) and consequently recognized this item as investment property as the Group intended to earn rental income from the continued use of this asset. This has resulted in the following transfers to investment properties:

- Transfer from property, plant and equipment of USD 11,561 thousand (Note 7);
- Transfer from property under development – commercial property of USD 25,838 thousand (Note 10).

Later in course of 2009 the Group disposed of the entertainment centre and derecognized respective investment properties in its consolidated statement of financial position. Loss on disposal of these assets has been recognized in these consolidated financial statements within net loss from discontinued operations (Note 33).

(iv) Transfer of land plots in "Zavidovo"

In course of management's review of the Group's strategy towards its land bank (see (ii) above) at the beginning of 2009 the Group made a decision to offer its land holdings located in "Zavidovo" district for sale. Since previously a portion of the Group's land plots located in "Zavidovo" were held by the Group for capital appreciation purposes in its investment properties, this change in management's intentions resulted in a transfer of land with the carrying amount of USD 42,140 thousand to inventories (Note 12).

Later in 2009 the Group completed the sale of all of its land holdings in "Zavidovo" and respective loss was recognized in the Group's consolidated income statement.

(v) Disposals classified as discontinued operations

Disposals from investment properties include the disposal of "Pavlovo Podvorie Retail and Entertainment Complex" (see (iii) above) and the disposal of the part of "Meyerhold" office building which was previously used by the Group to earn rental income. Loss on disposal of these assets has been recognized in these consolidated financial statements within net loss from discontinued operations (Note 33).

10. INVESTMENT PROPERTY UNDER DEVELOPMENT

Investment property under development as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Land with undetermined future use	-	-	731,361
Land under development for commercial purposes	-	309,056	483,685
Commercial property under development	53,300	247,333	135,764
Total	**53,300**	**556,389**	**1,350,810**

The fair value of Group's investment property under development 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 capitalization method.

Land under development for commercial purposes

	2009 '000 USD	2008 '000 USD
At 1 January	309,056	483,685
Revaluation deficit (Note 19)	-	(174,828)
Additions	-	86
Impairment losses charged to consolidated income statement	-	(1,869)
Transfer from land with undetermined future use	-	11,295
Transfer to investment property (Note 9)	(702)	-
Transfer to property, plant and equipment (Note 7)	-	(8,369)
Transfer to land held for development and sale (Note 12)	(46)	-
Transfer to land held for sale in the ordinary course of business (Note 12)	-	(1,284)
Disposal of subsidiaries (Note 34)	(296,779)	-
Discontinued operations (Note 33)	1,003	-
Translation difference	(12,532)	340
At 31 December	**-**	**309,056**

During the years ended 31 December 2009 and 31 December 2008, no interest was capitalized in land under development for commercial purposes.

Commercial property under development

	2009 '000 USD	2008 '000 USD
At 1 January	247,333	135,764
Additions	79,002	139,853
Change in fair value recognized in consolidated income statement	(3,763)	-
Impairment losses charged to consolidated income statement	-	(13,475)
Transfer from property, plant and equipment (Note 7)	2	67,674
Transfer to property, plant and equipment (Note 7)	(527)	(30,512)
Transfer to investment property (Note 9)	(25,838)	-
Transfer to property under development held for sale (Note 12)	(430)	(5,253)
Transfer to cost of goods sold	(45)	-
Disposal of subsidiaries (Note 34)	(234,288)	-
Discontinued operations (Note 33)	(536)	-
Translation difference	(7,610)	(46,718)
At 31 December	**53,300**	**247,333**

At 31 December 2009 commercial property under development is represented by a single development project – A.I. Raikin Retail and Entertainment Center.

During the year ended 31 December 2009 the Group capitalized interest in commercial property under development of USD 6,593 thousand (2008: USD 1,481 thousand).

11. OTHER NON-CURRENT ASSETS

Other non-current assets as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Value added tax recoverable	8,175	64,506	50,657
Other	515	527	-
Total	**8,690**	**65,033**	**50,657**

Group management evaluates recoverability of value added tax recoverable on an ongoing basis. While management understands that certain difficulties may be faced by the Group while obtaining a tax refund, the recoverability of value added tax balance as of 31 December 2009 was assessed by management as highly probable based on the existing conditions and events occurring subsequent to the period end.

12. INVENTORIES

Inventories as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Non-current			
Land held for development and sale	256,913	893,286	96,875
Property under development held for sale	160,570	22,535	1,585
	417,483	**915,821**	**98,460**
Current			
Land held for sale in the ordinary course of business	657	186,129	94,645
Land held for development and sale	52,689	141,891	126,513
Property under development held for sale	58,985	176,351	129,817
Raw materials and spare parts	3,230	2,924	-
Work in progress	45,566	46,278	32,309
Finished goods	12,100	34,861	-
Other inventories	1,133	2,485	988
	174,360	590,919	384,272
Allowance for obsolete and slow-moving items	(444)	(44)	-
	173,916	**590,875**	**384,272**
Total	**591,399**	**1,506,696**	**482,732**

Inventories carried at cost and net realizable value as of 31 December 2009, 2008 and 2007 are as follows:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
At cost	561,238	1,506,696	482,732
At net realizable value	30,161	-	-
Total	**591,399**	**1,506,696**	**482,732**

As of 31 December 2009, finished goods of USD 1,618 thousand (2008: USD 3,020 thousand) were pledged as collateral for a loan received from JSCB Rosbank (Note 21).

Land held for sale in the ordinary course of business

	2009 '000 USD	2008 '000 USD
At 1 January	186,129	94,645
Additions	291	126
Acquisition of subsidiaries	-	112,088
Transfer from land with undetermined future use	-	22,527
Transfer from investment property (i)	42,140	-
Transfer from land under development for commercial purposes (Note 10)	-	1,284
Transfer from land held for development and sale (i)	29,390	-
Transfer to cost of land sold	(91,592)	(3,659)
Transfer to investment property (Note 9)	(151,986)	-
Translation difference	(13,715)	(40,882)
At 31 December	**657**	**186,129**

(i) Transfer of land plots in "Zavidovo"

As discussed in Note 9, in 2009 the Group's management made a decision to sell all of its land holdings located in "Zavidovo" district. Consequently, this change in management's intentions towards these land holdings resulted in transfer of land plots with the carrying amount of USD 42,140 thousand from investment property (Note 9) and land with the carrying amount of USD 29,390 thousand from land held for development and sale (see below).

Land held for development and sale

Land held for development and sale represents land plots located in the cottage communities being developed by the Group (Note 1) and includes the following major groups:

- Land parcels relating to houses being constructed by the Group under long-term construction contracts; and
- Land parcels being offered by the Group for sale without constructed houses.

	2009	2008
At 1 January	1,035,177	223,388
Additions	31,537	4,583
Acquisition of subsidiaries	-	346,496
Derecognised on disposal of subsidiaries (Note 34)	(24,015)	-
Transfer to property, plant and equipment (Note 7)	-	(1,891)
Transfer from property, plant and equipment (Note 7)	22	190
Transfer from land under development for commercial purposes (Note 10)	46	-
Transfer from property under development held for sale	1	-
Transfer to land held for sale in the ordinary course of business (see above for details)	(29,390)	-
Transfer to cost of land sold	(216,843)	(24,393)
Inventory write-down	(18,438)	-
Transfer from investment property (Note 9)	-	31,711
Transfer from land for undetermined future use	-	664,318
Transfer to investment property (Note 9)	(403,661)	-
Translation difference	(64,834)	(209,225)
At 31 December	**309,602**	**1,035,177**

As of 31 December 2009, land held for development and sale of USD 381 thousand was pledged as collateral for a loan received from JSCB Rosbank (Note 21), land held for development and sale of USD 88,134 thousand was pledged as collateral for a loan received from ZAO Raiffeisenbank (Note 22) and land held for development and sale of USD 26,061 thousand was pledged as collateral for non-bank loans (Note 22).

As of 31 December 2008 no land held for development and sale was pledged as collateral under long-term and short-term loans payable by the Group.

During the year ended 31 December 2009, no interest was capitalized in land held for development and sale.

During the year ended 31 December 2008, the Group capitalized interest in land held for development and sale of USD 570 thousand.

Property under development held for sale

Property under development held for sale represent cottages, apartments in low-rise buildings, town houses and other property in the process of construction and development by the Group as a part of its cottage community projects (Note 1) with the intention of being sold in the ordinary course of business.

Property under development held for sale includes properties developed by the Group under long-term construction contracts as well as those properties which are being developed by the Group for sale with no signed long-term construction contracts.

	2009 '000 USD	**2008 '000 USD**
At 1 January	198,886	131,402
Additions	98,311	202,071
Acquisition of subsidiaries	-	621
Derecognised on disposal of subsidiaries (Note 34)	(9,225)	-
Transfer to property, plant and equipment (Note 7)	-	(392)
Transfer from property, plant and equipment (Note 7)	7,548	5,743
Transfer from commercial property under development (Note 10)	430	5,253
Transfer to cost of construction contracts (Note 26)	(53,780)	(89,378)
Transfer to land held for development and sale	(1)	-
Transfer to cost of goods sold	(7,364)	-
Transfer to other expenses	(6,825)	-
Transfer from investment property (Note 9)	-	4,735
Transfer to finished goods	-	(23,293)
Inventory write down	(4,107)	-
Translation difference	(4,318)	(37,876)
At 31 December	**219,555**	**198,886**

As of 31 December 2009, property under development held sale of USD 5,666 thousand was pledged as collateral for nonbank loans (Note 22).

13. ADVANCES PAID

Advances paid as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	**31 December 2008 '000 USD**	**31 December 2007 '000 USD**
Advances paid	54,893	41,776	18,752
Allowance for doubtful amounts	(7,898)	(67)	-
Total	**46,995**	**41,709**	**18,752**

Recovery of certain advances paid as of 31 December 2009 and 2008 was uncertain and they were provided for as doubtful amounts. Movements in allowance for doubtful amounts for the years ended 31 December 2009 and 2008 are as follows:

	2009 '000 USD	**2008 '000 USD**
At 1 January	67	-
Impairment losses recognized on advances paid	7,468	67
Translation difference	363	-
At 31 December	**7,898**	**67**

14. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Value added tax recoverable	7,795	1,946	2,638
Other receivables	7,180	1,225	4,964
Prepaid current income tax	5,295	12,498	767
Prepaid expenses	985	5,091	457
Other taxes prepaid	507	609	179
Total	**21,762**	**21,369**	**9,005**

15. LOANS TO THIRD PARTIES

Unsecured loans issued as of 31 December 2009, 2008 and 2007 consisted of:

	Interest rate	Currency	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Primeagrokom LLC	4.0%	RUB	5,237	-	-
Agroreserve LLC	7.3%	RUB	1,777	1,719	1,928
Nekommercheskoe Partnyorstvo “Blagoustroystvo Kottedzhnogo posyolka “Pestovo”	7.0%-7.5%	RUB	591	797	18,545
Other	8%	RUB	295	-	-
Total			**7,900**	**2,516**	**20,473**

Loans receivable from Primeagrokom LLC of USD 5,237 thousand were repaid to the Group in full subsequent to the end of the reporting period.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Short-term bank deposits	55,112	246,655	409,538
Cash in banks, in RUB	10,727	3,688	16,991
Cash in banks, in other currencies	8,740	1,963	553
Petty cash	11	17	10
Total	**74,590**	**252,323**	**427,092**

17. SHARE CAPITAL

	31 December 2009	31 December 2008	31 December 2007
Authorized			
Ordinary shares at par value of RUB 1,000 each	**15,280,221**	**15,280,221**	**13,587,969**
Including:			
Treasury shares			
Ordinary shares at par value of RUB 1,000 each	**-**	**-**	**133,000**

	'000 USD
Issued and fully paid	
31 December 2007: 13,454,969 ordinary shares at par value of RUB 1,000 each	494,316
Issue of shares: 1,692,252 ordinary shares at par value of RUB 1,000 each	71,420
Sale of treasury shares under share based payment program: 133,000 ordinary shares at par value of RUB 1,000 each	4,834
31 December 2008 and 2009: 15,280,221 ordinary shares at par value of RUB 1,000 each	**570,570**

18. ADDITIONAL PAID-IN-CAPITAL

Additional paid-in-capital as of 31 December 2009 and 2008 consisted of the following:

'000 USD	Share premium	Under-writing fees	Legal and consulting services	Share based payment	Total
At 31 December 2007	1,492,645	(25,165)	(3,534)	8,155	1,472,101
Issue of new shares	422,519	(115)	(719)	-	421,685
Sale of treasury shares under share option plan	1,783	-	-	-	1,783
Recognition of expense under share based payment program	-	-	-	2,292	2,292
At 31 December 2008 and 2009	**1,916,947**	**(25,280)**	**(4,253)**	**10,447**	**1,897,861**

19. REVALUATION RESERVE

	2009 '000 USD	2008 '000 USD
At 1 January	**496,346**	**612,605**
Release of revaluation reserve on disposed assets	(432,068)	(22,483)
Release of deferred tax liability on revaluation reserve of disposed assets	86,414	5,396
Decrease in revaluation surplus on initial recognition of investment property (Note 9)	(21,270)	-
Deferred income tax relating to the decrease in revaluation surplus on initial recognition of investment property	4,254	-
Revaluation deficit on land (Note 10)	-	(174,828)
Decrease in deferred tax liabilities arising on revaluation of land (Note 20)	-	41,959
Decrease in deferred tax liabilities due to change in income tax rate (Note 20)	-	33,697
At 31 December	**133,676**	**496,346**

20. INCOME TAXES

The Group's income was subject to tax at the following tax rates:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Russian Federation	20%	24%
Cyprus	10%	10%
USA	35%	35%
Canada	30.6%	30.72%

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with statutory tax regulations which may differ from IFRS.

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 31 December 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to the recorded values of certain assets.

The relationship between the income tax expense and the Group's accounting loss from continuing operations for the year ended 31 December 2009 and 2008 is explained as follows:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Loss before income tax (continuing operations)	**(1,016,485)**	**(109,273)**
At the Russian statutory income tax rate of 20% (2008: 24%)	(203,297)	(26,226)
Effect of the difference in tax rates in countries other than the Russian Federation	(6,242)	(237)
Effect on deferred tax balances due to the change in income tax rate from 24% to 20% (effective 1 January 2009)	-	(26,207)
Change in valuation allowance for deferred tax assets	16,642	-
Tax effect of non-deductible expenses, net	29,032	13,445
Income tax benefit (continuing operations)	**(163,865)**	**(39,225)**
Income tax (benefit) / expense		
Deferred income tax benefit	(198,087)	(54,102)
Change in valuation allowance for deferred tax assets	16,642	-
Current income tax expense	17,580	14,877
Total (continuing operations)	**(163,865)**	**(39,225)**

In November 2008, an amendment to the Tax Code of the Russian Federation was enacted to reduce the corporate income tax rate from 24% to 20% effective from 1 January 2009. For the year ended 31 December 2009 annual income tax of those Group's subsidiaries which are based in the Russian Federation is measured at 20% of the estimated assessable profit for the year (2008: 24%). At 31 December 2009 and 2008, deferred taxes are measured at 20% and 24%, respectively.

Deffered tax balances as of 31 December 2009, 2008 and 2007 comprised:

	31 December 2007 '000 USD	Recog-nized in profit or loss '000 USD	Other changes '000 USD	31 December 2008 '000 USD	Recog-nized in profit or loss '000 USD	Other changes '000 USD	31 December 2009 '000 USD
Property, plant and equipment	4,162	10,084	(8,320)	5,926	(6,220)	(463)	(757)
Effect of foreign currency remeasurement of other assets	24,365	(551)	(3,391)	20,423	(19,893)	(1,554)	(1,024)
Intangible assets	-	(306)	41	(265)	260	5	-
Investment property	(19,065)	11,064	1,234	(6,767)	24,241	6,900	24,374
Investment property under development	-	2,427	(324)	2,103	(144)	(1,959)	-
Land under development and land held for sale	(334,499)	9,771	20,204	(304,524)	183,885	67,558	(53,081)
Loss carried forward	4,544	8,094	(1,775)	10,863	13,790	13,047	37,700
Assets write-down	-	-	-	-	2,261	116	2,377
Other payables and accrued expenses	400	1,853	(306)	1,947	(1,822)	(34)	91
Receivables and prepaid expenses	(9,003)	10,266	(69)	1,194	420	110	1,724
Receivables / payables under construction contracts	(7,931)	1,400	941	(5,590)	1,309	(106)	(4,387)
	(337,027)	54,102	8,235	(274,690)	198,087	83,620	7,017
Valuation allowance for deferred tax assets	-	-	-	-	(16,642)	(813)	(17,455)
Net deferred tax liability	**(337,027)**	**54,102**	**8,235**	**(274,690)**	**181,445**	**82,807**	**(10,438)**

Deferred tax liabilities	**Year ended 31 December 2009 '000 USD**	**Year ended 31 December 2008 '000 USD**
At the beginning of the year	292,936	351,340
Decrease in the deferred tax liability credited to consolidated income statement	(89,899)	(46,669)
Other changes:		
Decrease in deferred tax liability charged to equity (Note 19)	(4,254)	(75,656)
Derecognized on disposal of subsidiaries (Note 34)	(49,096)	-
Acquisition of subsidiaries	-	114,670
Translation difference	(11,883)	(50,749)
	(65,233)	(11,735)
At the end of the year	**137,804**	**292,936**

Deferred tax assets	**Year ended 31 December 2009 '000 USD**	**Year ended 31 December 2008 '000 USD**
At the beginning of the year	18,246	14,313
Increase in deferred tax assets credited to consolidated income statement	108,188	7,433
Other changes:		
Derecognized on disposal of subsidiaries (Note 34)	(562)	-
Reported within loss for the year from discontinued operations (Note 33)	13,481	-
Translation difference	5,468	(3,500)
	18,387	(3,500)
Change in valuation allowance for deferred tax assets	(17,455)	-
At the end of the year	**127,366**	**18,246**

At 31 December 2009 and 2008 the Group did not recognize a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

21. LONG-TERM LOANS

Long-term loans as of 31 December 2009, 2008 and 2007 consisted of the following:

	Currency	Interest rate	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
ING Bank N.V.	USD	9.75%-10.45%	99,900	149,900	50,000
JSCB Rosbank	USD	11%	67,460	-	22,460
VTB Bank (Deutschland) AG	USD	9.75%-10.45%	66,000	-	-
Desparanko Holdings Co Limited	USD	12%	35,000	-	-
JSCB Savings bank of the Russian Federation	USD	11%-12%	-	186,131	17,750
Investments + LLC	RUB	18%	26,735	-	-
Minuet LLC	RUB	-	5,282	4,910	-
Agrorezerv LLC	RUB	9.0%	-	1,785	1,983
TD Bank "Commercial Demand Loan – Floating"	CAD	4.75%	-	29	-
Unamortized debt issue costs	USD	-	(170)	(5,638)	-
Total			**300,207**	**337,117**	**92,193**

As of 31 December 2009, finished goods with a book value of USD 1,618 thousand (2008: USD 3,020 thousand), investment property with a book value of USD 120,781 thousand (2008: zero) and land plots held for development and sale with a book value of USD 381 thousand (2008: zero) were pledged as collateral for the loan from JSCB Rosbank (Notes 9 and 12).

In addition, as of 31 December 2008 the following properties of the Group were pledged as collateral under the loans received from JSCB Savings bank of the Russian Federation:

- 100% of JSC Hotel "Novoslobodskaya" shares;
- Hotel "Novoslobodskaya" building with a net book value of USD 27,827 thousand;
- 100% share in LLC "Sakharov Business Plaza";
- Land under development for commercial purposes with a book value of USD 304,325 thousand;
- Commercial property under development with the carrying amount of USD 156,875 thousand.

JSC OPIN subsidiaries act as guarantors for the loan received from ING Bank N.V., VTB Bank (Deuthschland) AG and JSCB Rosbank.

Long-term loans as of 31 December 2009, 2008 and 2007 are repayable as follows:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Within one year	39,000	-	3,000
In the second year	183,017	72,336	67,750
In the third to fifth years inclusive	117,360	169,985	22,460
Later than five years	-	100,434	1,983
Less: current portion of long-term loans (Note 22)	(39,000)	-	(3,000)
Total	**300,377**	**342,755**	**92,193**

22. SHORT-TERM LOANS AND ACCRUED INTEREST

Short-term loans and accrued interest as of 31 December 2009, 2008 and 2007 consisted of the following:

	Currency	Interest rate	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
ZAO Raiffeisenbank	USD	libor+5.3% / libor+10%	50,000	50,000	-
Current portion of long-term loan from VTB BANK (DEUTSCHLAND) AG (Note 21)	USD	9.75%-10.45%	34,000	-	-
Current portion of long-term loan from JSCB Rosbank (Note 21)	USD	11%	5,000	-	-
Testamentum Trading Limited	USD	12%	1,905	-	-
Nuncupacio Holdings Limited	USD	12%	1,905	-	-
Lupanarium Holdings Limited	USD	12%	1,905	-	-
Adriel Trading Limited	USD	12%	1,905	-	-
JSCB Rosbank	USD	11%	-	72,460	-
Current portion of long-term loan from JSCB Savings bank of the Russian Federation (Note 21)	USD	11%	-	-	3,000
JSCB Savings bank of the Russian Federation	USD	11%	-	17,750	-
ING Bank N.V.	USD	9.750%	-	50,000	-
ING Bank N.V.	USD	libor+2%	-	-	100,000
Other loans	RUB	-	100	287	-
Prepaid interest on loans	USD		-	(111)	-
Accrued interest on long-term and short-term loans	USD		5,492	6,566	882
Unamortized debt issue costs	USD		(135)	(179)	-
			102,077	**196,773**	**103,882**

As of 31 December 2009 land plots with a book value of USD 88,134 thousand were pledged as collateral for a loan received from ZAO Raiffeisenbank (Note 12).

As of 31 December 2009 100% stake in OPIN Plaza LLC owning land held for development and sale of USD 26,061 thousand and property under development held for sale of USD 5,666 thousand were pledged as collateral for nonbank loans (Note 12).

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Trade payables to suppliers and service providers	9,505	14,249	6,067
Advances received	6,227	6,647	1,493
Accounts payable to employees	393	771	8,048
Other accounts payable and accrued expenses, current	14,311	11,323	21,614
Short-term finance lease payable	-	-	409
Total trade and other accounts payable – current	**30,436**	**32,990**	**37,631**
Long-term finance lease payable	-	-	12,341
Other accounts payable and accrued expenses, non-current	-	903	**-**
Total trade and other accounts payable – non-current	**-**	**903**	**12,341**

24. TAXES PAYABLE

Taxes payable as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Current income tax liability	1,859	2,467	6,611
Other taxes payable	1,279	1,500	760
Total	**3,138**	**3,967**	**7,371**

25. REVENUE UNDER CONSTRUCTION CONTRACTS

Revenue under construction contracts for the year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Revenue under contracts for construction of houses	38,729	85,254
Revenue under contracts for construction of infrastructure and other assets	28,705	40,103
Total	**67,434**	**125,357**

26. COST OF CONSTRUCTION CONTRACTS

Cost of construction contracts for the year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Cost of contracts for construction of houses (Note 12)	25,359	49,494
Cost of contracts for construction of infrastructure and other assets (Note 12)	28,421	39,884
Total	**53,780**	**89,378**

27. CONSTRUCTION CONTRACTS

Contracts in progress as of 31 December 2009, 2008 and 2007 consisted of the following:

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Construction costs incurred plus recognized profits less recognized losses to date	442,804	375,370	250,013
Less: progress billings	(422,804)	(364,209)	(277,647)
	20,000	**11,161**	**(27,634)**
Receivables under construction contracts	48,448	50,783	31,500
Advances received under construction contracts included into advances received from customers for inventories	(28,448)	(39,622)	(59,134)
	20,000	**11,161**	**(27,634)**

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Payroll	11,378	18,974
Property tax	3,125	1,385
Audit and other consulting services	2,220	3,603
Depreciation and amortization	1,855	2,876
Payroll taxes	1,417	2,318
Other operating taxes	1,344	1,570
Rent expense	1,125	717
Brokerage fees	1,056	3,267
Advertising	963	3,797
Sales commissions	819	1,202
Public utilities	614	1,068
Bank charges	607	950
Repairs and maintenance	502	1,305
Insurance	477	521
Travel expenses	391	938
Security expenses	388	1,723
Communications expenses	383	510
Landscaping	56	85
Representation expenses	3	57
Management fees	-	47
Other expenses	1,258	1,940
Total	**29,981**	**48,853**

29. INTEREST INCOME

Interest income for year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Interest on bank deposits	3,079	19,894
Interest on loans issued	210	1,914
Interest on securities for sale	117	-
Other interest income (Note 8)	6,475	17,744
Total	**9,881**	**39,552**

30. INTEREST EXPENSE

Interest expense for year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Interest on bank loans	56,566	37,951
Interest on financial lease	41	701
Cost of maintenance of credit accounts	312	457
Interest on other loans	908	196
Total borrowing costs	57,827	39,305
Less: amounts included in the cost of qualifying assets (Notes 8,10 and 12)	(10,699)	(9,235)
Total	**47,128**	**30,070**

31. OTHER EXPENSES

Other expenses for year ended 31 December 2009 and 2008 consisted of the following:

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Change in allowance for doubtful advances paid and bad debts written-off	8,991	257
Write-off of deferred expenses related to infrastructure in "Pavlovo Podvorie" as no longer recoverable	2,929	-
Losses from transactions with foreign currencies	2,549	-
Penalties paid due to termination of contracts	1,378	116
Charitable contributions	85	506
Expenses incurred on disposal of fixed assets	-	414
Other expenses	623	740
Total	**16,555**	**2,033**

32. LOSS PER SHARE

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

Basic and diluted	Weighted average number of shares outstanding during the period	Net loss from continuing operations for the year attributable to shareholders of the parent company ('000 USD)	Loss per share from continuing operations (in USD)	Net loss from continuing and discontinued operations for the year attributable to shareholders of the parent company ('000 USD)	Loss per share from continuing and discontinued operations per share (in USD)
Year ended 31 December 2009	15,280,221	(852,620)	(55.80)	(904,445)	(59.19)
Year ended 31 December 2008	14,587,083	(69,756)	(4.78)	(61,073)	(4.19)

33. DISCONTINUED OPERATIONS

Disposal of commercial property operations

In the second quarter of 2009 the Group entered into a sale arrangement to dispose of its commercial property business which was represented by the "Meyerhold" office center and "Pavlovo Podvorie Retail and Entertainment Complex". The disposal was completed in May-June 2009 when the control over commercial property operations was passed to the acquirers.

Disposal of hotel operations

In June 2009 the Group disposed of its hotel operations through the sale of hotel "Novoslobodskaya" building to a third party. Immediately after completion of the sale transaction the Group entered into a leaseback agreement in respect of hotel "Novoslobodskaya" building and continued to derive income and incur expenses from hotel operations up to 31 December 2009 when the leaseback agreement was terminated.

Analysis of profit for the year from discontinued operations

Both businesses disposed of in 2009 (commercial property and hotel operations) were achieved through the sale of assets by the Group rather than through the disposal of the Group's subsidiaries. Details of the assets disposed of by the Group are disclosed in Notes 7, 9 and 10.

The combined results of the discontinued operations included into the consolidated income statement are set out below. The comparative profits and losses and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Loss for the year from discontinued operations		
Revenue	15,988	29,030
(Loss) / profit from discontinued operations before income tax	(2,735)	11,438
Attributable income tax benefit / (expense)	547	(2,755)
	(2,188)	8,683
Loss on disposal of operations	(61,741)	-
Attributable income tax benefit	12,104	-
	(49,637)	-
Net (loss) / profit for the year from discontinued operations	**(51,825)**	**8,683**
Cash flows from discontinued operations		
Net cash inflows from operating activities	2,597	8,753
Net cash inflows from investing activities	60,718	-
Net cash inflow	**63,315**	**8,753**

34. DISPOSAL OF SUBSIDIARIES

In course of 2009 the following subsidiaries were disposed of by the Group:

- In February 2009 the Group sold 100% share in LLC "JEK" to a third party for cash consideration of USD 890 thousand;
- In March 2009 the Group sold 100% share in LLC "ExpoDom-Podmoskovye" to a third party for cash consideration of USD 2,065 thousand;
- In May 2009 the Group sold 100% share in LLC "OPIN Koprino" and LLC "OPIN Uglich" along with shares in their subsidiaries LLC "Bukhta Koprino" and LLC "Mikrorayon" and LLC "Yacht Club "Pestovsky" to third parties for cash consideration of USD 16,142 thousand, USD 1,852 thousand and USD 2,552 thousand respectively.
- Also, in second quarter of 2009 the Group's controlling interest in ANO "Pavlovskaya school" was disposed of by the Group to a third party for a total cash consideration of USD 2,724 thousand.
- In August 2009 the Group sold 100% share in LLC "Beliy Parus" and LLC "Extern" to third parties for a total cash consideration of USD 30,129 thousand.
- In September 2009 the Group sold 100% share in LLC "Sakharova Business Plaza" to third parties for total cash consideration of USD 103,437 thousand.

The analysis of assets and liabilities of the disposed subsidiaries and calculation of loss on disposal is as follows:

Book value of net assets sold	'000 USD
Assets	
Property, plant and equipment (Note 7)	3,248
Intangible assets (Note 6)	78
Land under development for commercial purposes (Note 10)	296,779
Commercial property under development (Note 10)	234,288
Deferred tax assets (Note 20)	562
Land held for development and sale (Note 12)	24,015
Property under development held for sale (Note 12)	9,225
Other inventories	263
Advances paid	15,022
Value added tax receivable	30,257
Trade accounts receivable	12,653
Other receivables and prepaid expenses	44,814
Cash and cash equivalents	13,958
Total assets	**685,162**
Liabilities	
Deferred tax liability (Note 20)	(49,096)
Long-term borrowings	(247,062)
Short term loans and accrued interest	(7,323)
Trade and other accounts payable	(11,615)
Other taxes and social security payable	(46)
Advances received from customers for inventories	(78)
Total liabilities	**(315,220)**
Net assets disposed of	(369,942)
Cash consideration received	159,791
Loss on disposal	**(210,151)**

Net cash inflow on disposals is as follows:

	'000 USD
Consideration received in cash	159,791
Less: cash and cash equivalent balances disposed of	(13,958)
Net cash inflow on disposals	**145,833**

In addition, in the second quarter of 2009 the Group sold its subsidiaries Agro Group LLC, Agro Service LLC, Stroy Progress LLC and Invest Police LLC to third parties for a total consideration of USD 124.6 million. The subsidiaries disposed of by the Group were holding land plots and in substance these transactions represented the sale of land plots by the Group. Consequently, gains and losses from the disposal transaction were reflected within revenues from the sale of land and cost of land sold, respectively, in these consolidated financial statements.

35. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are considered to be the following:

(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 31 December 2009, 2008 and 2007:

	31 December 2009		31 December 2008		31 December 2007	
'000 USD	**Related party transactions**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Trade receivables (entities with joint control or significant influence over the entity)	-	3,908	422	3,330	-	2,508
Other receivables and prepaid expenses (entities with joint control or significant influence over the entity)	-	21,762	-	21,369	1,545	9,005
Long-term loans (entities with joint control or significant influence over the entity)	-	300,207	-	337,117	22,460	92,193
Advances received from customers for inventories (key management personnel of the entity or its parent)	2,167	192,468	15,655	185,228	32,618	123,626
Accounts payable to employees (key management personnel of the entity)	-	393	-	771	32,618	8,048
Cash and cash equivalents (entities with joint control or significant influence over the entity	-	74,590	-	252,323	5,963	427,092

Included in the consolidated income statement for the year ended 31 December 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	31 December 2009		31 December 2008	
'000 USD	**Related party transactions**	**Total category as per consolidated financial statements caption**	**Related party transactions**	**Total category as per consolidated financial statements caption**
Revenue under construction contracts	-	67,434	1,793	125,357
Key management personnel of the entity or its parent	-	-	1,793	-
Revenue from land sold (key management personnel of the entity or its parent)	-	153,518	3,843	45,089
Revenue on rendering other services (entities with joint control or significant influence over the entity)	1,934	4,264	881	5,107
Rental income from investment property (discontinued operations)	96	1,192	188	2,419
Bank charges (entities with joint control or significant influence over the entity)	-	607	368	950
Interest income (entities with joint control or significant influence over the entity)	-	9,881	3,203	39,552
Interest expense (entities with joint control or significant influence over the entity)	-	47,128	3,877	30,070
Cost of hotel services (entities with joint control or significant influence over the entity) (discontinued operations)	-	9,545	313	15,998
Key management personnel compensation:				
Payroll and related taxes	1,859	16,095	4,781	26,524
Insurance	20	646	17	756
	1,879	**16,741**	**4,798**	**27,280**

36. SEGMENTAL INFORMATION

Products and services from which reportable segments derive their revenues

The Group has determined operating segments based on the information that is reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance. For management purposes the Group is organized into business units based on their products and services, and has five reportable operating segments:

- Land holdings;
- Residential property;
- Commercial property development;
- Fabricated homes;
- Others.

Other operations mostly include consulting services rendered by the Group, contracts for construction of other properties and gain on disposal of certain assets.

The two operations (commercial property and hotel operations) discontinued in 2009 were reported as separate segments in the past. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in Note 33.

Information regarding the Group's reportable segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

2009	Land holdings	Residential property	Commercial property develop-ment	Fabricated homes	Others	Eliminations	TOTAL
REVENUE							
External sales	3,421	244,993	-	41,543	32,815	-	322,772
Inter-segment sales	-	-	-	-	6	(6)	-
Total revenue	**3,421**	**244,993**	**-**	**41,543**	**32,821**	**(6)**	**322,772**
RESULT							
Segment operating (loss)/profit	(42,657)	(90,893)	(86)	(9,414)	7,709	-	(135,341)
Unallocated expenses, net							(15,162)
Operating loss							**(150,503)**
Interest expense	(10,093)	(6,613)	(3,325)	-	-	-	(20,031)
Loss on foreign currency operations	(2,154)	(2,287)	(2,040)	-	-	-	(6,481)
Loss on change in fair value of investment property	(635,867)	-	(3,763)	-	-	-	(639,630)
Impairment of assets	-	1,279	(1,535)	-	3,065	-	2,809
Inventory write-down	-	(22,545)	-	-	-	-	(22,545)
(Loss)/gain on disposal of subsidiaries	-	(8,168)	(206,459)	-	4,476	-	(210,151)
Other unallocated income, net							30,047
Income tax							163,865
Net loss from continuing operations							**(852,620)**

2008	Land holdings	Residential property	Commercial property develop-ment	Fabricated homes	Others	Eliminations	Group total Year ended 31 December 2008
REVENUE							
External sales	7,615	184,826	-	44,097	17,798	-	254,336
Inter-segment sales	-	1	-	309	-	(310)	-
Total revenue	**7,615**	**184,827**	**-**	**44,406**	**17,798**	**(310)**	**254,336**
RESULT							
Segment operating profit/(loss)	2,387	54,108	(793)	(5,567)	3,799	-	53,934
Unallocated expenses, net							(28,494)
Operating profit							**25,440**
Interest expense	(6,320)	(6,004)	-	-	-	-	(12,324)
Loss on foreign currency operations	(20,325)	(39,080)	(2,134)	-	-	-	(61,539)
Gain on change in fair value of investment property	29,616	-	-	-	-	-	29,616
Impairment of assets	-	-	(15,344)	-	-	-	(15,344)
Other unallocated expenses, net							(75,122)
Income tax							39,225
Net Loss from continuing operations							**(70,048)**

The accounting policies of reportable segments are the same as the Group's accounting policies described in Note 3. Segment operating profit / (loss) represents the profit earned or the loss incurred by each segment without allocation of certain general and administrative costs, interest expense, loss on foreign currency operations, gain on change in fair value of investment property, gain / loss on impairment of assets and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Segment assets			
Land holdings	1,432,884	1,598,193	1,340,853
Residential property	599,142	891,574	863,371
Commercial property development	100,346	674,462	693,912
Fabricated homes	88,575	95,945	-
Others	16,467	27,142	342
Total segment assets	2,237,414	3,287,316	2,898,478
Assets relating to commercial property and hotel operations (now discontinued)	-	72,896	148,061
Unallocated	109,196	300,141	451,895
Consolidated assets	**2,346,610**	**3,660,353**	**3,498,434**
Segment liabilities			
Land holdings	157,667	133,388	133,832
Residential property	359,361	470,894	246,463
Commercial property development	7,565	112,062	119,694
Fabricated homes	11,494	15,960	-
Others	1,517	935	7,098
Total segment liabilities	537,604	733,239	507,087
Liabilities relating to commercial property and hotel operations (now discontinued)	-	18,246	41,353
Unallocated	228,526	298,429	179,944
Consolidated assets	**766,130**	**1,049,914**	**728,384**

Segment assets are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Other segment information

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Additions to non-current assets		
Land holdings	1,358,674	280,872
Residential property	1,503	6,591
Commercial property development	4,557	164,968
Fabricated homes	136	1,176
Others	74	1,325
	1,364,944	454,932
Additions to non-current assets of commercial property and hotel operations (now discontinued)	-	11,686
Unallocated	9	1,538
Total additions to non-current assets	**1,364,953**	**468,156**
Depreciation expense		
Land holdings	9	-
Residential property	90	900
Commercial property development	-	3
Fabricated homes	5,985	5,295
Others	101	198
Total segment liabilities	6,185	6,396
Depreciation expense relating to commercial property and hotel operations (now discontinued)	679	1,574
Unallocated	729	1,240
Total depreciation expense	**7,593**	**9,210**

Geographical information

The Group operates in four principal geographical areas: Russian Federation, Canada, USA and Japan.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

Revenue by geographical location	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD
Russian Federation	282,606	210,238
Canada	22,961	30,116
USA	3,530	6,354
Japan	13,155	6,722
Others	520	906
Total	**322,772**	**254,336**

Non-current assets by geographical location	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Russian Federation	1,942,052	2,668,343	2,604,832
Canada	25,672	27,680	-
USA	1,367	1,425	-
Total	**1,969,091**	**2,697,448**	**2,604,832**

37. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of 31 December 2009 commitments of the Group for capital expenditures outstanding under concluded contracts approximated USD 43 million. The Group has early termination rights for most of its capital construction contracts.

Operating leases

The Group did not have any significant future minimum rental payments under non-cancellable operatin leases in effect as of 31 December 2009.

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 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 preceding the year of review.

Pensions and retirement plans

Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As of 31 December 2009, 2008 and 2007, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Russian Federation risk

The economy of the Russian Federation, while deemed to be of market status, continue to display certain traits consistent with that of an emerging market. These characteristics have in the past included higher than normal inflation, insufficient liquidity of the capital markets, and the existence of currency controls. The continued success and stability of the Russian economy will be subject to their government's continued actions with regard to supervisory, legal and economic reforms.

Ongoing global liquidity crisis

The financial markets, both globally and in the Russian Federation, have faced significant volatility and liquidity constraints since the onset of the global financial crisis in the last quarter of 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced liquidity with in the global financial system.

The global financial turmoil has significantly affected Russian economy. It has resulted in a decrease of Russian GDP, significant declines in debt and equity prices and a substantial outflow of capital. The Russian Federation is also facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2009 and 2008 was 8.8% and 13.3%, respectively). As Russia produces and exports large volumes of oil and gas, Russian economy is particularly sensitive to the price of oil and gas on the world market and this have fluctuated significantly during 2008 and 2009. The Russian government has initiated the adoption of a package of federal laws and regulations to restore investor confidence and provide liquidity and support medium-term growth of Russian economy, however at this stage there is no clarity with respect to efficiency of these measures.

While many countries, including the Russian Federation, have reported an improvement in the economic environment, this may reverse, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and gas prices could slow or disrupt the Russian economy, adversely affecting the Group's access to and cost of capital and, more generally, its business, results of operations, financial condition and prospects.

While the Russian government has introduced a range of stabilization measures aimed at providing liquidity to the Russian banks and companies, there continues to be uncertainty regarding access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

38. SUBSEQUENT EVENTS

In May 2010 the loan of USD 50,000 thousand due by the Group to ZAO Raiffeisenbank was re-scheduled for repayment between February and December 2011.

39. 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 maximum exposure of the Group to credit risk comprises USD 67,436 thousand as of 31 December 2009. 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 procedures, which includes 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 a 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 counterparty grouping the Group has developed additional procedures to mitigate credit risk as follows:

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 is 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 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.

Maturity of financial instruments

'000 USD	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount 31 December 2009
Financial assets						
Cash at bank and in hand	19,478	-	-	-	19,478	19,478
Short-term deposits	55,112	-	-	-	55,112	55,112
Trade and other receivables	59,536	-	-	-	59,536	59,536
Loans issued	7,900	-	-	-	7,900	7,900
Total financial assets	**142,026**	**-**	**-**	**-**	**142,026**	**142,026**
Financial liabilities						
Trade and other payables	23,816	-	-	-	23,816	23,816
Loans	102,077	183,609	117,190	-	402,876	402,284
Total financial liabilities	**125,893**	**183,609**	**117,190**	**-**	**426,692**	**426,100**
Net financial position	**16,133**	**(183,609)**	**(117,190)**	**-**	**(284,666)**	**(284,074)**

'000 USD	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount 31 December 2008
Financial assets						
Cash at bank and in hand	5,668	-	-	-	5,668	5,668
Short-term deposits	246,655	-	-	-	246,655	246,655
Trade and other receivables	55,337	-	-	-	55,337	55,337
Loans issued	2,516	-	-	-	2,516	2,516
Total financial assets	**310,176**	**-**	**-**	**-**	**310,176**	**310,176**
Financial liabilities						
Trade and other payables	25,621	231	460	1,230	27,542	26,475
Loans	196,773	70,976	168,980	98,298	535,027	533,890
Total financial liabilities	**222,394**	**71,207**	**169,440**	**99,528**	**562,569**	**560,365**
Net financial position	**87,782**	**(71,207)**	**(169,440)**	**(99,528)**	**(252,393)**	**(250,189)**

'000 USD	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount 31 December 2007
Financial assets						
Cash at bank and in hand	17,554	-	-	-	17,554	17,554
Time deposits	409,538	-	-	-	409,538	409,538
Trade and other receivables	38,973	-	-	-	38,973	38,973
Loans issued	20,473	-	-	-	20,473	20,473
Total financial assets	**486,538**	**-**	**-**	**-**	**486,538**	**486,538**
Financial liabilities						
Trade and other payables	27,681	-	-	-	27,681	27,681
Finance lease liability	1,973	1,973	5,919	16,278	26,143	12,750
Loans	103,882	67,750	22,460	1,983	196,075	196,075
Total financial liabilities	**133,536**	**69,723**	**28,379**	**18,261**	**249,899**	**236,506**
Net financial position	**353,002**	**(69,723)**	**(28,379)**	**(18,261)**	**236,639**	**250,032**

The Group's management reviews its capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Long and short term borrowings	402,284	533,890	196,075
Cash and cash equivalents	(74,590)	(252,323)	(427,092)
Net debt	327,694	281,567	(231,017)
Equity	1,580,480	2,610,439	2,770,050
Net debt to equity ratio	**20.73%**	**10.79%**	**(8.34%)**

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 is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions primarily are denominated are US dollars and Canadian dollars.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations.

Financial instruments by currency

'000 USD	**USD**	**RUB**	**CAD**	**Other currencies**	**Total 31 December 2009**
Financial assets					
Cash at bank and in hand	6,155	10,738	2,584	1	19,478
Time deposits	39,133	15,964	15	-	55,112
Trade and other receivables	4	58,057	1,475	-	59,536
Loans issued	-	7,900	-	-	7,900
Total financial assets	**45,292**	**92,659**	**4,074**	**1**	**142,026**
Financial liabilities					
Trade and other payables	1,556	18,954	3,294	13	23,817
Loans	370,154	32,130	-	-	402,284
Total financial liabilities	**371,710**	**51,084**	**3,294**	**13**	**426,101**
Net financial position	**(326,418)**	**41,575**	**780**	**(12)**	**(284,075)**

'000 USD	**USD**	**RUB**	**CAD**	**Other currencies**	**Total 31 December 2008**
Financial assets					
Cash at bank and in hand	1,287	3,706	36	639	5,668
Time deposits	226,139	8,869	11,647	-	246,655
Trade and other receivables	68	54,189	1,067	13	55,337
Loans issued	-	2,516	-	-	2,516
Total financial assets	**227,494**	**69,280**	**12,750**	**652**	**310,176**
Financial liabilities					
Trade and other payables	2,892	20,092	2,311	1,180	26,475
Loans	526,879	6,982	29	-	533,890
Total financial liabilities	**529,771**	**27,074**	**2,340**	**1,180**	**560,365**
Net financial position	**(302,277)**	**42,206**	**10,410**	**(528)**	**(250,189)**

'000 USD	USD	RUB	CAD	Other currencies	Total 31 December 2007
Financial assets					
Cash at bank and in hand	440	17,001	-	113	17,554
Time deposits	1,661	407,877	-	-	409,538
Trade and other receivables	16,469	22,504	-	-	38,973
Loans issued	-	20,473	-	-	20,473
Total financial assets	**18,570**	**467,855**	**-**	**113**	**486,538**
Financial liabilities					
Trade and other payables	3,260	24,421	-	-	27,681
Finance lease liability	-	12,750	-	-	12,750
Loans	194,092	1,983	-	-	196,075
Total financial liabilities	**197,352**	**39,154**	**-**	**-**	**236,506**
Net financial position	**(178,782)**	**428,701**	**-**	**113**	**250,032**

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at 31 December 2009 would have increased/(decreased) profit and equity by the amounts shown below.
This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included. The analysis is performed on the same basis as for 2008 and 2007.

	Year ended 31 December 2009 '000 USD	Year ended 31 December 2008 '000 USD	Year ended 31 December 2007 '000 USD
Net profit			
USD	(32,642)	(30,228)	(17,878)
CAD	78	1,041	-

A 10 percent weakening of the above currencies against the functional currency at 31 December 2009 would have had the equal but opposite effect on the currency exposure above, on the basis that all other variables remain constant.

Interest rate risk

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

The Group's debt instruments outstanding as of 31 December 2009 are on both a fixed and variable rate basis.

The Group incurs interest rate risk on liabilities with variable interest rate. The Group's Treasury function performs analysis of current interest rates and prepares forecasts for the next year. Depending on that, the management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In case of changes in the current market fixed or variable rates the management may consider refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rate.

Sensitivity analysis for interest rates is not presented as most of the Group's loans are on a fixed rate basis and consequently the risk of fluctuations in floating interest rates is deemed to be insignificant by management.

Liquidity risk

Liquidity 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.

Management controls the Group's liquidity 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 fluctuating liquidity requirements 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.

Included in note below is a summary maturity analysis for the Group's financial liabilities as of 31 DEcember 2009, 2008 and 2007. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

'000 USD	Weighted average effective interest rate	On demand	Less than one month	One to three months	Three months to one year	One to five years	After the fifth year	Contractual amount 31 December 2009
Financial liabilities								
Trade and other payables	-	711	15,175	3,429	4,499	2	-	23,816
Loans	10.6	-	-	12,977	89,100	300,799	-	402,876
Total financial liabilities		**711**	**15,175**	**16,406**	**93,599**	**300,801**	**-**	**426,692**

'000 USD	Weighted average effective interest rate	On demand	Less than one month	One to three months	Three months to one year	One to five years	After the fifth year	Contractual amount 31 December 2008
Financial liabilities								
Trade and other payables	-	6,871	5,690	9,015	4,045	691	1,230	27,542
Loans	9.2	-	5,895	560	190,318	239,956	98,298	535,027
Total financial liabilities		**6,871**	**11,585**	**9,575**	**194,363**	**240,647**	**99,528**	**562,569**

'000 USD	Weighted average effective interest rate	On demand	Less than one month	One to three months	Three months to one year	One to five years	After the fifth year	Contractual amount 31 December 2007
Financial liabilities								
Trade and other payables	-	14,327	4,279	9,075	-	-	-	27,681
Finance lease liability	13.0	-	164	329	1,480	7,892	16,278	26,143
Loans	10.3	-	882	-	103,000	90,210	1,983	196,075
Total financial liabilities		**14,327**	**5,325**	**9,404**	**104,480**	**98,102**	**18,261**	**249,899**

40. FINANCIAL INSTRUMENTS

Carrying amounts of financial assets and liabilities as of 31 December 2009, 2008 and 2007 are as follows:

Financial assets and liabilities

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Liquid assets	82,490	254,839	447,565
Trade and other receivables	59,536	55,337	38,973
Total financial assets	**142,026**	**310,176**	**486,538**
Financial liabilities – current	125,894	222,345	131,972
Financial liabilities – non current	300,207	338,020	104,534
Total financial liabilities	**426,101**	**560,365**	**236,506**
Net financial position	**(284,075)**	**(250,189)**	**250,032**

By category

	31 December 2009 '000 USD	31 December 2008 '000 USD	31 December 2007 '000 USD
Loans and receivables	67,436	57,853	59,446
Available-for-sale assets	74,590	252,323	427,092
Total financial assets	**142,026**	**310,176**	**486,538**
Financial liabilities at amortized cost	426,101	560,365	236,506
Total financial liabilities	**426,101**	**560,365**	**236,506**
Net financial position	**(284,075)**	**(250,189)**	**250,032**

Management believes that the fair value of its financial assets and liabilities as of 31 December 2009 and 2008 approximates their carrying amounts except for the following long-term borrowings:

		31 December 2009		31 December 2008	
'000 USD	**Currency**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
ING Bank N.V.	USD	88,465	99,900	85,880	99,900
VTB Bank (Deutschlund) AG	USD	61,789	66,000	47,266	50,000
JSCB Rosbank	USD	62,520	67,460	64,469	72,460
Desparanco Holdings CO Limited	USD	33,240	35,000	-	-
JSCB Savings bank of the Russian Federation	USD	-	-	198,896	186,131
Investment+ LLC	RUB	25,984	26,735	-	-
Agrorezerv LLC	RUB	-	-	1,152	1,785
		271,998	**295,095**	**397,663**	**410,276**

Management considers that the fair value of financial instruments held by the Group did not materially differ from their carrying amounts as of 31 December 2007.

41. COMPOSITION OF THE GROUP

The principal activities and countries of incorporation of the major entities of the Group as of 31 December 2009 and 2008 are as follows:

Operating entity	Project	Principal activity	% held as of 31 December 2009	% held as of 31 December 2008	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	Domnikov Class A Business Centre	Land lease holding company. Investing in, developing, managing and disposing Domnikov project assets	-	100%	Russia
Estate Management LLC	Group's project	Development, sale and property management of 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
Pestovo LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo 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
Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2009	% held as of 31 December 2008	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
Belyi Parus LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	-	100%	Russia
Lukino LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
CP Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo 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
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
Regional development LLC	Zavidovo	Investing in, developing, managing and disposing of Zavidovo project assets in Tver region	100%	100%	Russia
Extern LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	-	100%	Russia
Invest Service LLC	Zavidovo	Investing in, developing, managing and disposing of Zavidovo project assets in Tver region	100%	100%	Russia
Agrosistema LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2009	% held as of 31 December 2008	Country of incorpo-ration
Timonino LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Viceroy Homes Limited	Group's project	Production and distribution of fabricated homes	100%	100%	Canada
Roza vetrov LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	100%	Russia
Agroindustry LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	100%	Russia
Russkaya zemlya LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	100%	Russia
Volzhskie prostory LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	100%	Russia
Farafonovka LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	100%	Russia
Solar coast LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	100%	Russia
Militta LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia
Zelenay dolina LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2009	% held as of 31 December 2008	Country of incorpo-ration
Rodnik LLC	Group's project in Mitishensky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Mitishensky district, Moscow area	100%	-	Russia
Valda LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	-	Russia
Start Master Resource LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Geoalliace 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 triumph LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Razdolie LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Orion LLC	Group's project in Mitishensky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Mitishensky district, Moscow area	100%	-	Russia
Timiryazevsky prostory LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	-	Russia
Spektrum LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia
Veres LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2009	% held as of 31 December 2008	Country of incorpo-ration
Agroprom LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia
Hloris LLC	Group's project in Dmitrovsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Dmitrovsky district, Moscow area	100%	-	Russia
Agrodolina LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
Agro Rezerve LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
RozInvest LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
Vektor LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia
VektorstroyProf LLC	Group's project in Klinsky district, Moscow area	Investing in, developing, managing and disposing of future project Group's assets in Klinsky district, Moscow area	100%	-	Russia