JSC Open Investments and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
For the Year Ended 31 December 2004

JSC OPEN INVESTMENTS AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC Open Investments:

We have audited the accompanying consolidated balance sheet of JSC Open Investments and subsidiaries (the "Group") as of 31 December 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2004, and the consolidated results of the Group's operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

18 May 2005

JSC OPEN INVESTMENTS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2004

	Notes	31 December 2004 '000 USD	31 December 2003 '000 USD	Pro forma statement (Note 3) 31 December 2003 '000 USD (restated)
ASSETS				
NON-CURRENT ASSETS:				
Fixed assets, less accumulated depreciation	4	49,510	1,595	1,595
Goodwill	24	633	-	-
Investment property	5	28,000	16,770	25,500
Land under construction, including land improvements	6	67,327	44,414	44,414
		145,470	62,779	71,509
DEFERRED TAX ASSETS	12	469	-	-
CURRENT ASSETS:				
Land held for resale		24,076	7,847	7,847
Inventories		410	22	22
Advances paid	20	4,902	519	519
Value added tax recoverable		12,576	3,786	3,786
Receivable from customers under construction contracts	20	3,854	2,337	2,337
Trade accounts receivable		661	-	-
Other receivables and prepaid expenses		1,051	193	193
Securities available-for-sale	7	-	21,596	21,596
Loans issued	8	8,480	340	340
Cash and cash equivalents	9,20	58,358	17,009	17,009
		114,368	53,649	53,649
TOTAL ASSETS		260,307	116,428	125,158
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY:				
Share capital	10	119,797	56,636	56,636
Additional paid-in-capital	11	19,024	-	-
Revaluation reserve		23,247	9,426	9,426
Retained earnings		20,482	8,148	14,783
		182,550	74,210	80,845
DEFERRED TAX LIABILITIES	12	12,801	3,836	5,931
NON-CURRENT LIABILITIES:				
Long-term loans	13,20	26,321	25,000	25,000
		26,321	25,000	25,000
CURRENT LIABILITIES:				
Short-term portion of long-term loans	14,20	574	44	44
Trade accounts payable	15,20	10,226	5,852	5,852
Other payables and accrued expenses		375	46	46
Tax liability, other than income tax		643	7	7
Current income tax liability	12	231	517	517
Payable to customers under construction contracts	20	26,586	6,916	6,916
		38,635	13,382	13,382
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		260,307	116,428	125,158

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

JSC OPEN INVESTMENTS AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year Ended 31 December 2004 '000 USD	Year Ended 31 December 2003 '000 USD	Pro forma statement (Note 3) Year Ended 31 December 2004 '000 USD (restated)	Pro forma statement (Note 3) Year Ended 31 December 2003 '000 USD (restated)
REVENUE					
Rental income from investment property	5	3,162	3,266	3,162	3,266
Other rental income		187	-	187	-
Land sold	20	734	2,124	734	2,124
Revenue under construction contracts	20	32,344	9,099	32,344	9,099
Other revenue		313	-	313	-
		36,740	14,489	36,740	14,489
COST OF SALES					
Cost of land sold		(734)	(2,124)	(734)	(2,124)
Cost of the construction contracts		(17,401)	(4,494)	(17,401)	(4,494)
		(18,135)	(6,618)	(18,135)	(6,618)
GROSS PROFIT		18,605	7,871	18,605	7,871
Selling, general and administrative expenses	16,20	(6,037)	(3,475)	(6,037)	(3,475)
OPERATING PROFIT		12,568	4,396	12,568	4,396
Finance costs, net	17,20	(3,056)	(693)	(3,056)	(693)
Gain on investment property revaluation		2,500	-	2,500	3,846
Gain on available-for-sale securities	7	-	3,964	-	3,964
Net gain on foreign currency operations		743	2,076	743	2,076
Other income		85	252	85	252
Other expenses		(1,048)	(114)	(1,048)	(114)
		(776)	5,485	(776)	9,331
PROFIT BEFORE INCOME TAX AND CHANGES IN ACCOUNTING POLICY		11,792	9,881	11,792	13,727
Cummulative effect of change in accounting policy		8,730	-	-	-
PROFIT BEFORE INCOME TAX		20,522	9,881	11,792	13,727
INCOME TAX (including the effect of change in accounting policy)	10	(6,530)	(1,578)	(4,435)	(2,501)
NET PROFIT		13,992	8,303	7,357	11,226
PER SHARE in USD (basic and diluted)	18	6.64	4.64	3.49	6.27

Sergey V. Bachin

General Director of JSC Open Investments

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

'000 USD	Notes	Share capital	Additional paid-in-capital	Revaluation reserve	(Accumulated deficit)/ retained earnings	Total shareholders' equity
Balance as of 31 December 2002		56,636	-	-	(155)	56,481
Net profit		-	-	-	8,303	8,303
Revaluation surplus (net of income tax of USD 2,977 thousand)		-	-	9,426	-	9,426
Balance as of 31 December 2003		56,636	-	9,426	8,148	74,210
Issue of share capital	10, 11	63,161	19,024	-	-	82,185
Net profit		-	-	-	13,992	13,992
Dividends declared	10	-	-	-	(1,864)	(1,864)
Revaluation surplus (net of income tax of USD 4,430 thousand)		-	-	14,027	-	14,027
Revaluation on fixed assets disposal (net of income tax of USD 65 thousand)		-	-	(206)	206	-
Balance as of 31 December 2004		**119,797**	**19,024**	**23,247**	**20,482**	**182,550**

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

JSC OPEN INVESTMENTS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

Pro forma statement (Note 3) (restated)

'000 USD	Notes	Share capital	Additional paid-in-capital	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance as of 31 December 2002		56,636	-	-	3,557	60,193
Net profit		-	-	-	11,226	11,226
Revaluation surplus (net of income tax of USD 2,977 thousand)		-	-	9,426	-	9,426
Balance as of 31 December 2003		56,636	-	9,426	14,783	80,845
Issue of share capital	10, 11	63,161	19,024	-	-	82,185
Net profit		-	-	-	7,357	7,357
Dividends declared	10	-	-	-	(1,864)	(1,864)
Revaluation surplus (net of income tax of USD 4,430 thousand)		-	-	14,027	-	14,027
Revaluation on fixed assets disposal (net of income tax of USD 65 thousand)		-	-	(206)	206	-
Balance as of 31 December 2004		**119,797**	**19,024**	**23,247**	**20,482**	**182,550**

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

JSC OPEN INVESTMENTS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year Ended 31 December 2004 000'USD	Year Ended 31 December 2003 000'USD	Pro forma statement (Note 3) Year Ended 31 December 2004 000'USD (restated)	Pro forma statement (Note 3) Year Ended 31 December 2003 000'USD (restated)
Profit before income tax		20,522	9,881	11,792	13,727
Adjustments for:					
			440		440
Depreciation		40		40	
Income from sale of available-for-sale securities		-	(3,964)	-	(3,964)
Net change in interest accruals		(44)	44	(44)	44
Revaluation of investment property		(11,230)	-	(2,500)	(3,846)
Operating cash flow before movements in working capital		9,288	6,401	9,288	6,401
Increase in inventories		(55)	(22)	(55)	(22)
Increase in receivables under construction contracts		(1,517)	(2,337)	(1,517)	(2,337)
Increase in other receivables and prepaid expenses		(73)	(528)	(73)	(528)
Decrease in trade receivables		78	-	78	-
Increase in value added tax receivable		(8,619)	(3,786)	(8,619)	(3,786)
Increase in advances paid		(3,938)	(519)	(3,938)	(519)
(Decrease)/increase in trade accounts payable		(8,505)	5,852	(8,505)	5,852
(Decrease)/increase in other payables and accrued expenses		(352)	46	(352)	46
Increase in payable under construction contracts		19,670	6,916	19,670	6,916
Increase/(decrease) in other tax liability		20	(36)	20	(36)
Cash provided by operations		5,997	11,987	5,997	11,987
Income tax paid		(2,281)	(202)	(2,281)	(202)
Net cash from operating activities		3,717	11,785	3,717	11,785
INVESTING ACTIVITIES:					
Cash obtained from acquisition of subsidiaries, net of cash paid / (Cash paid on acquisition of subsidiaries, net of cash acquired)	24	21,387	(31,389)	21,387	(31,389)
Purchase of fixed assets		(9,713)	(1,605)	(9,713)	(1,605)
Land and land improvements		(20,686)	(8,474)	(20,686)	(8,474)
Loans issued		(8,857)	(1,199)	(8,857)	(1,199)
Loans repaid		1,073	20,394	1,073	20,394
Purchase of securities available-for-sale		-	(848)	-	(848)
Proceeds on disposal of securities available for sale		-	4,812	-	4,812
Net cash used in investing activities		(16,796)	(18,309)	(16,796)	(18,309)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year Ended 31 December 2004 000'USD	Year Ended 31 December 2003 000'USD	Pro forma statement (Note 3) Year Ended 31 December 2004 000'USD (restated)	Pro forma statement (Note 3) Year Ended 31 December 2003 000'USD (restated)
FINANCING ACTIVITIES:					
Proceeds from issuance of share capital		82,185	-	82,185	-
Dividends paid		(1,864)	-	(1,864)	-
Proceeds from bank loans		5,000	25,977	5,000	25,977
Repayment of bank loans		(30,000)	(977)	(30,000)	(977)
Net cash from financing activities		55,321	25,000	55,321	25,000
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(893)	(1,469)	(893)	(1,496)
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,349	17,007	41,349	17,007
CASH AND CASH EQUIVALENTS, beginning of the year	9	17,009	2	17,009	2
CASH AND CASH EQUIVALENTS, end of the year	9	58,358	17,009	58,358	17,009

Interest paid and received by the Group in cash during the year ended 31December 2004 amounted to USD 3,346 thousand and USD 364 thousand, respectively.

Interest paid and received by the Group in cash during the year ended 31December 2003 amounted to USD 877 thousand and USD 228 thousand, respectively.

Sergey V. Bachin

General Director of JSC Open Investments

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

1. NATURE OF THE BUSINESS

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

From 13 September 2004 the Company's shares have been listed on B list of the Russian Trading System under the symbol "OIVS".

In 2004 the Company established the global depositary receipt program. The depositary receipts are being issued from time to time by The Bank of New York, as depositary. Each depositary receipt represents an ownership interest in one eighth (1/8) of one Company's common share.

The Company is a parent company of a group of entities consolidated in the financial statements (the "Group") as of 31 December 2004.

The principal activities and countries of incorporation of the entities of the Group as of 31 December 2004 and 2003 are as follows:

Operating Entity	Project	Principal Activity	Investment share as of 31 December 2004	Investment share as of 31 December 2003	Country of incorporation
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
Closed Unit Investment Fund Novy Dom ("New House") managed by OOO Management Company Rosbank	Pavlovo and other Group's residential projects	Investing in Pavlovo project and other residential projects of the Group	100%	-	Russia
Pavlovo Podvorye LLC	Pavlovo Podvorye	Investing in, developing, managing and disposing Pavlovo Podvorye project assets	100%	-	Russia
Stroy Invest Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	-	Russia
Sakharova Business Plaza	Sakharova Business Plaza	Land lease holding company. Investing in,	100%	-	Russia

Operating Entity	Project	Principal Activity	Investment share as of 31 December 2004	Investment share as of 31 December 2003	Country of incorporation
LLC	project	developing, managing and disposing Sakharov Business Plaza project assets			
Bank Tower LLC	Sakharova Business Plaza project	Investor and future owner of the Rosbank Building	100%	-	Russia
Sakharov Office Park LLC	Sakharova Business Plaza project	Investor and future owner of the Commercial Part of Sakharov Business Plaza	100%	-	Russia
Invest Project Group LLC	An A Class Office Center	Investing in, developing, managing and disposing of a Class A Office Centre assets	100%	-	Russia
Park Plaza LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	-	Russia
Estate Management LLC	Group's project	Development, sale and property management of a future project assets	100%	-	Russia
Invest Group LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	-	Russia
OI Management Company LLC	Group's project in Tver Region	Investing in, developing, managing and disposing of a future Tver project assets	100%	-	Russia
Expodom LLC	Group's real property	Providing property management and maintenance services	100%	-	Russia
IR Development LLC	Group's development projects	Providing technical supervision and construction management services	100%	-	Russia
Invest Capital LLC	Group's projects	Investing in, developing, managing and disposing of a future project assets	100%	-	Russia
Open Investments – Saint Petersburg LLC	Group's projects in Saint-Petersburg	Investing in, developing, managing and disposing of future Saint-Petersburg projects' assets	100%	-	Russia
Zhilaya i Commercheskaya Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing of a future project assets	100%	-	Russia
JSC Hotel Novoslobodskaya	Novotel Moscow Center Hotel	Providing hotel services	100%	-	Russia

BRIEF DESCRIPTION OF PRINCIPAL INVESTMENTS

Meyerhold Office Centre

The Class A 8-story office building is located on Novoslobodskaya street. It was completed in December 2000 as part of a mixed-use complex of office space, hotel (Novotel) and a theatre (Meyerhold Theatre).

Ownership rights were transferred to the Group in December 2002. Land is held under 10 years lease.

JSC Hotel Novoslobodskaya (Novotel Moscow Center Hotel)

3-star hotel, operated by OOO Russian Management Hotel Company (a subsidiary of Accor) under Novotel brand is an 18-story building. It was opened in September 2002 on Novoslobodskaya Street adjacent to Meyerhold Centre.

JSC Hotel Novoslobodskaya owns approximately 80% of the premises of the Novotel Moscow Center Hotel. The remaining approximately 20% of the Novotel Moscow Center Hotel premises are owned by the City of Moscow represented by the Department of State and Municipal Property of the City of Moscow (the "City of Moscow"). The Company, as a sole shareholder of JSC Hotel Novoslobodskaya, intends to increase the charter capital of JSC Hotel Novoslobodskaya and to issue its new shares to the City of Moscow through closed subscription in exchange for the Moscow City's contribution of approximately 20% of the Novotel Moscow Center Hotel premises.

Pavlovo Cottage Community

Pavlovo country housing (cottage) community ("Pavlovo") is located on approximately 70-hectare site about 14 km from the Moscow city border and about 4 kilometers from the highway.
As of 31 December 2004 additional land improvements cost amounted to USD 17 million. The project calls for the construction of approximately 214 deluxe single-family detached houses.

General contractor for this project is Southbrook LLC. MMG-M LLC is a Russian contractor, responsible for infrastructure (plumbing, sewage etc.).

	31 December 2004	**31 December 2003**
Number of units under construction contacts concluded	58% as of total (124 units out of 214)	22% as of total (47 units out of 214)
Total amount of construction contracts concluded (as of 31 December 2004 and 2003)	USD 111,885 thousand	USD 37,573 thousand
Cash received from customers under the construction contracts (as of 31 December 2004 and 2003)	USD 67,033 thousand	USD 15,803 thousand
Amount reported as payable to customers under construction contracts	USD 26,586 thousand	USD 6,916 thousand

	Year ended 31 December 2004	**Year ended 31 December 2003**
Amount reported as revenue under construction contracts	USD 32,344 thousand	USD 9,099 thousand

Pavlovo II Cottage Community

Pavlovo II country housing (cottage) community ("Pavlovo II") is planned to be an extension of Pavlovo, adjacent to but separate from it. In April 2005 the Group held title to approximately 41 hectares of land designed partially for agricultural and partially for industrial use. The Group is in the process of acquiring additional land plots and converting the already acquired land for use for Pavlovo II development. The project calls for the construction of more than 150 country houses. The development of Pavlovo II may commence prior to completion of Pavlovo.

Pavlovo Podvorye

Pavlovo Podvorye is envisioned as a retail and entertainment centre located on 15-hectare land plot in close proximity to Pavlovo and Pavlovo II and featuring several stores, restaurants and places of entertainment. Pavlovo Podvorye may also include development of certain Pavlovo and Pavlovo II on-site infrastructure.

Sakharova Business Plaza

Sakharova Business Plaza project is a development of international Class A office complex on Akademik Sakharov Prospect, 30 in the centre of Moscow. The office complex is expected to consist of Commercial Part which includes two office buildings for commercial lease; new 27-floor headquarters of Rosbank (Rosbank Building), and underground parking.

Construction started in September 2004. General contractor is Southbouk LLC. Sub-contractor for the underground part is Soletanche (France).

A. I. Raikin Retail and Entertainment Centre

The Centre is located on 8, Sheremetyevskaya Street.

The A. I. Raikin Cultural Fund acts as a co-investor which contribution consists of land lease right for 49 years. General contractor is Prumyslove stavitelstvi Brno, JSC (Czech Republic). Construction is started at the end of 2004.

Sochi Hotel and Residential Complex

On 5 November 2004 the Board of Directors approved the Group's participation in the development of hotel and residential complex in Sochi.

Tver Cottage Community ("Verkhneye Zavidovo")

On 5 November 2004 the Board of Directors approved the Group's participation in the development of new country housing (cottages) community located in Tver region.

OI Management Company LLC acted as the sole executive body of the Group pursuant to the management contract dated 25 December 2003. On 29 December 2004 the management contract with OI Management Company LLC was terminated and effective 1 January 2005 Sergey V. Bachin was appointed as a General Director of JSC Open Investments. Effective 1 January 2005 OI Management Company LLC became the project company responsible for development of Group's future projects in Tver Region.

As of 31 December 2004 and 2003, the shareholders' structure of the Company was as follows:

Shareholder	31 December 2004	31 December 2003
MOTHERLANE PROPERTIES LIMITED	58.48%	34.08%
THE BANK OF NEW YORK INTERNATIONAL NOMINEES (Nominal shareholder)	13.98%	-
SKANDINAVSKA ENSKILDA BANKEN AB (Nominal shareholder)	4.72%	-
BARFIELD NOMINEES LIMITED (Nominal shareholder)	3.06%	-
ZAO INTERROS ESTATE	2.98%	65.92%
VONTOBEL FUNDS SICAV (Nominal shareholder)	2.72%	-
PICTET AND CIE (Nominal shareholder)	2.55%	-
JP MORGAN FLEMING RUSSIAN SECURITIES PLS (Nominal shareholder)	2.35%	-
OTHERS (Nominal shareholder)	9.16%	-
Total	100.00%	100.00%

As of 31 December 2004 the Board of Directors of the Group (the "Board") consisted of 7 people was responsible for defining the Group's corporate strategy and approving its significant transactions. The Board members were as follows:

- Andrei E. Bougrov – Managing Director of Interros – Chairman of the Board;
- Ekaterina M. Salnikova – Corporate Structure Director of Interros;
- Dmitry R. Kostoev – Deputy Finance Director of Interros;
- Olga V.Voytovitch - General Director of Investments+ LLC;
- Evgeny G. Yasin – professor of the State University – Higher School of Economics, Director of Expert Institute, member of the Board of Directors of Wimm-Bill-Dann JSC;
- Pavel M. Teplukhin – President of Troika Dialog Investment Company;
- Peter E. Hakansson – Chairman of the Board of Directors of East Capital Assets Management AB.

On 27 December 2004 the extraordinary meeting of shareholders approved certain amendments to the charter of the Company expanding the number of the Board members up to 9 people and also expanding the Board's authority, including inter alia the obligatory prior approval of the Board of any acquisition, establishment or disposition of subsidiaries by the Company. The new Board is the following:

- Andrei E. Bougrov – Managing Director of Interros – Chairman of the Board;
- Kirill Y. Parinov – Deputy General Director of Interros;
- Ekaterina M. Salnikova – Corporate Structure Director of Interros;
- Sergey V. Bachin – General Director of JSC Open Investments;
- Dmitry R. Kostoev – Deputy Finance Director of Interros;
- Olga V. Voytovitch - General Director of Investments+ LLC;
- Evgeny G. Yasin – professor of the State University – Higher School of Economics, Director of Expert Institute, member of the Board of Directors of Wimm-Bill-Dann JSC;
- Pavel M. Teplukhin – President of Troika Dialog Investment Company;
- Peter E. Hakansson – Chairman of the Board of Directors of East Capital Assets Management AB.

The number of employees of the Group as of 31 December 2004 and 2003 was 342 and 19 people, respectively. As of 31 December 2003 the number of employees of the Group together with OI Management Company, its subsidiaries and JSC Hotel Novoslobodskaya was 309 people.

These financial statements were authorized for issue on 18 May 2005 by General Director of JSC Open Investments.

2. PRESENTATION OF FINANCIAL STATEMENTS

***Basis of presentation* -** The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of United States Dollars ("USD"), except for per share amounts and unless otherwise indicated.

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

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

- The majority of the Group's transactions are denominated and completed in US Dollars;
- Owing to the nature of the Group's business, most of management's economic and operational decisions are based on US Dollars;
- The management believes that US Dollars reporting will better reflect the economic substance of the underlying events and circumstances relevant to the Group.

Russian statutory accounting principals and procedures differ substantially from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Russian statutory accounting records for the entities of the Group domiciled in the Russian Federation, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

As the management measures the financial statements of the entities domiciled in the Russian Federation in US Dollars, in translating financial statements of the entities domiciled in the Russian Federation into US Dollars for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with International Accounting Standard No. 21 (IAS 21), "The Effects of Changes in Foreign Exchange Rates" and the following procedures are performed:

- monetary assets and liabilities are translated at closing rate;
- non-monetary assets and liabilities are translated at rate as of an asset purchase date or date when a liability arises;
- income and expense items are translated at exchange rates at the dates of transactions;
- all resulting exchange differences are recorded as gain on foreign currency operations in the consolidated income statement.

The relevant exchange rate of the Central Bank of the Russian Federation used in translating the financial statements of the entities domiciled in the Russian Federation into US Dollars was USD 1 = 27.7487 RUR as of 31 December 2004 and USD 1 = 29.4545 RUR as of 31 December 2003.

The translation of RUR denominated assets and liabilities into USD as of 31 December 2004 and 2003 does not indicate that the Group could realize, or settle in USD, the translated value of these assets and liabilities as well as to distribute the disclosed amount of shareholders' equity to shareholders.

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

- valuation of financial instruments in accordance with IAS No. 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”);
- valuation of land under construction in accordance with IAS No. 16 “Property, Plant and Equipment” (“IAS 16”);
- valuation of investment property in accordance with IAS No. 40 “Investment property” (“IAS 40”).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The ownership interest of the Company in the significant subsidiaries as of 31 December 2004 and 2003 is presented in Note 1.

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

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.

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

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

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

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

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

Investments in non-consolidated subsidiaries and associated companies - Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value as securities available-for-sale.

Recognition and measurement of financial instruments - The Group recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

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.

Share 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 on a business combination, are deducted from equity net of any related income taxes.

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

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

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

Foreign currencies transactions - Transactions in currencies other than US dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. All translation differences are recognized in the consolidated income statement.

Rates of exchange - The exchange rates at period-end used by the Group in the preparation of the financial statements are as follows:

	31 December 2004	**31 December 2003**
USD/RUR	0.03604	0.03395

Offset of financial assets and liabilities - Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

Income and expense recognition - Interest income and expense are recognized in the consolidated income statement on an accrual basis. Interest income is not recognized when it is overdue and/or in situations where management believes it is not collectible. Interest income includes coupons earned on fixed income securities. Commissions and other income are recognized when related transactions are complete and income is measured appropriately. Non-interest expenses are charged to the consolidated income statement at the time the transaction occurs, except for expenses incurred on the acquisition of an investment which are included in the cost of that investment and expenses arising on the disposal of investments which are deducted from the disposal proceeds.

Fixed assets - Fixed assets are 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 income statement as incurred.

Construction in progress comprises costs directly related to construction of fixed assets 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 fixed assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2.5%
Machinery, furniture and office equipment	20%

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

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

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

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

Land under construction - Land under construction represents land which is in the process of development by the Group. When development of such land is completed the management of the Group intends to use it as investment property and account for it in accordance with IAS No. 40 "Investment Property". Until construction and development are not completed IAS No. 16 "Property, Plant and Equipment" is applied. The management elected to follow alternative treatment and subsequent to initial recognition to carry such land at a revalued amount determined by an independent appraisal, being its fair value at the date of the revaluation. Management plans to perform revaluation of the land under construction with sufficient regularity such that the carrying amount does not differ materially from what which would be determined using fair value at the reporting date.

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

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

Land held for resale - Land held for resale represents land parcels containing houses constructed under contracts and with the intention of being sold once the construction is completed. Land held for resale is stated at the lower of cost or net realizable value.

Investment property - Investment property is a building held by the Group to earn rentals and for capital appreciation. Investment property is originally recorded at cost. Subsequent expenditure relating to an investment property that has already been recognized are 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 expenditure are recognized as an expense in the period in which it is incurred.

The Group elected to use the fair value model to measure investment property subsequent to initial recognition, therefore investment property is stated at fair value (also see below ***Changes in accounting policy***).

Investment in securities available-for-sale - Securities available-for-sale represent 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. Subsequently the securities are measured at fair value, with such re-measurement included in the consolidated income statement. The Group uses quoted market prices to determine fair value for the Group's securities available-for-sale. If such quotes do not exist, independent valuation or management estimation is used. Non-marketable equity securities are stated at cost, less allowance for impairment unless there are other appropriate and workable methods of reasonably estimating their fair value.

Construction contracts - The Group concludes with its clients contracts for construction of houses on the 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 of the initial amount of revenue agreed in the contract and of 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 of costs that relate directly to the specific 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 contract.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. An expected loss on the construction contract is recognized as an expense immediately.

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

Trade and other accounts receivable - Trade and other accounts receivable are stated at their net realizable value after deducting provisions for uncollectable amounts.

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

Bank loans - All loans are initially recorded at the proceeds received, net of direct issue costs. After initial recognition all loans and borrowings are subsequently measured at amortized cost, which is calculated by taking into account any discount or premium on settlement.

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

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

Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

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

Value added tax on purchases and sale - Value added tax (VAT) related to sales is payable to tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. Tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (VAT deferred) is recognized in the balance sheet on a gross basis and disclosed separately as a current asset and liability. Where provision has been made against debtors deemed to be uncollectable bad debt expense is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is settled or until the debtor is written off for statutory accounting purposes.

Operating leases - Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases.

Group as lessee - Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Group as lessor - The Group presents assets subject to operating leases in the balance sheet according to the nature of the asset. Lease income from operating leases is recognized in the consolidated income statement on a straight-line basis over the lease term as income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are recognized as an expense in the consolidated income statement in the period in which they are incurred.

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

- the Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in the each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Russia also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

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

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

Reclassifications - Certain reclassifications have been made to the financial statement as of 31 December 2003 and the year ended 31 December 2003 to conform to the current year presentation.

Changes in accounting policy - In 2004 the Group made a decision to account for the investment property using the fair value model including the gain from a change in the fair value of investment property in net profit or loss for the period in which it arises. As of 31 December 2003 the investment property was accounted for using the cost model and was accounted for in accordance with IAS 16 "Property, Plant and Equipment".

In accordance with IAS No. 8, "Net Profit and Loss for the Period, Fundamental Errors and Changes in Accounting Policy", changes classified as a change in accounting policy are applied retrospectively to ensure enhanced reflection of events and transactions, presentation of more relevant and reliable information. The Group elected the allowed alternative treatment, thus all adjustments due to change in accounting policy related to the previous periods are reflected in adjustment of the net profit or loss for the year ended 31 December 2004. Pro forma comparative information as if the new accounting policy had always been in use is presented as appropriate.
The Group's balance sheet as of 31 December 2003 included USD 8,148 thousand in retained earnings. Due to adjustment of the balance sheet as of 31 December 2003 in connection with change in accounting policy the retained earnings have increased by USD 6,635 thousand.

4. FIXED ASSETS, LESS ACCUMULATED DEPRECIATION

Property, plant and equipment as of 31 December 2004 and 2003 consisted of the following:

'000 USD	Buildings	Machinery, furniture and office equipment	Construction in progress	Total
Cost				
At 31 December 2003	-	114	1,491	1,605
Acquisition of subsidiaries	37,600	1,002	18	38,620
Additions	-	171	9,542	9,713
At 31 December 2004	37,600	1,287	11,051	49,938
Accumulated depreciation				
At 31 December 2003	-	10	-	10
Acquisition of subsidiaries	-	378	-	378
Charge for the period	-	40	-	40
At 31 December 2004	-	428	-	428
Net Book Value				
At 31 December 2003	**-**	**104**	**1,491**	**1,595**
At 31 December 2004	**37,600**	**859**	**11,051**	**49,510**

Construction in progress includes mainly construction of the A. I. Raikin Retail and Entertainment Centre and infrastructure of Pavlovo Cottage Community.

As of 31 December 2004 building with a book value of USD 37,600 thousand has been pledged as collateral under the loan received from AKB Sberbank RF (Note 13).

5. INVESTMENT PROPERTY

In 2004 the Company made a decision to account for the investment property using the fair value model including the gain from a change in the fair value of investment property in net profit or loss for the period in which it arises.

As of 31 December 2003 the investment property was recorded at cost with net book value of USD 16,770 thousand and the fair value of USD 25,500 thousand.

As of 31 December 2004 the fair value was USD 28,000 thousand.

The fair value of the Group's investment property as of 31 December 2004 and 2003 has been arrived at on the basis of a valuation carried out as of 31 December 2004 and 2003 by independent appraisers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to USD 3,162 thousand and USD 3,266 thousand, respectively for the years ended 31 December 2004 and 2003. Direct operating expenses arising on the investment property amounted to USD 1,266 thousand (including property tax of USD 387 thousand) and USD 720 thousand, respectively for the years ended 31 December 2004 and 2003.

6. LAND UNDER CONSTRUCTION, INCLUDING LAND IMPROVEMENTS

As of 31 December 2004 and 2003, land under construction, including land improvements consisted of:

	31 December 2004 '000 USD	31 December 2003 '000 USD
Land	50,120	33,900
Land improvements	17,207	10,514
Total	**67,327**	**44,414**

Land is recorded at revalued amount determined by an independent appraisers considering the existing improvements but without account for incurred costs of putting these improvements. Such improvements are accounted for at cost.

7. SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale as of 31 December 2003 consisted of:

	% Ownership	31 December 2003 '000 USD
Ordinary shares of JSC Hotel Novoslobodskaya	60.01%	21,596
Total		**21,596**

As of 31 December 2003 the fair value of ordinary shares was recorded based on valuation made by independent appraisers. In December 2004 the Group made a decision not to sell its shares of JSC Hotel Novoslobodskaya within the near future. It has been consolidated since the decision date (Note 24).

During the year ended 31 December 2003 the Group acquired and sold ordinary shares of JSC Zvezdnaya Hotel. This operation resulted in the gain of USD 3,964 thousand.

8. LOANS ISSUED

Loans issued as of 31 December 2004 and 2003 consisted of:

	Interest rate	Currency	31 December 2004 '000 USD	31 December 2003 '000 USD
Loan to First London Sales Limited	6.0%	USD	3,431	-
Loan to "PDM Service" LLC	3.5%	RUR	2,728	-
Loan to "Velednikovo" LLC	3.0%	RUR	199	172
Loan to "Deviz-2000" LLC	2.0%	RUR	154	94
Loan to "Stroy Group" LLC	from 2.0% to 17.5%	RUR	76	74
Ordinary promissory notes of "Color avto-2000" LLC	0%	RUR	1,892	-
Total			**8,480**	**340**

Loans to First London Sales Limited, "Stroy Group" LLC, "Deviz-2000" LLC , "Velednikovo" LLC and ordinary promissory notes of "Color avto-2000" LLC were fully repaid subsequent to the reporting date. All loans except for loan to First London Sales Limited were granted at the above rates because those loans were issued as part of project acquisition structures.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2004 and 2003 consisted of the following:

	31 December 2004 '000 USD	31 December 2003 '000 USD
Cash in banks, in RUR	17,701	11,497
Cash in banks, in USD	10,193	5,512
Petty cash	6	-
Short-term bank deposits	30,458	-
Total	**58,358**	**17,009**

10. SHARE CAPITAL

As of 31 December 2004 and 2003 the Group had 3,590,000 and 1,790,000 ordinary shares issued and fully paid with a par value of 1,000 RUR each. The Group is authorized under its Charter to issue additional 5,000,000 ordinary shares of RUR 1,000. On 20 January 2005 the Company registered the above issue of 1,800,000 additional shares with the Federal Financial Markets Service.

Between 19 and 26 July 2004 Motherlane Properties Limited and ZAO Interros Estate contributed to the Company approximately USD 17,291 thousand through a series of transactions (Note 21). The contribution, which included cash amount of approximately USD 13,609 thousand and 10.10% stake in Hotel Novoslobodskaya JSC, has been done through additional issue of new shares for the total of 416,642 newly issued shares.

In November 2004 Motherlane Properties Limited acquired all the remaining 1,383,358 shares with the RUR 1,383,358 thousand.

In November 2004 the Company launched the offering of 1,383,358 ordinary shares of the Company in the form of up to 1,383,358 ordinary shares of the Company (the "Shares") and up to 5,728,000 global depositary shares (the "GDRs"), evidenced by depositary receipts, each depositary receipt representing one eighth (1/8) of one Share. The offering included an offering of Shares in Russia and an international private placement of Shares and GDRs outside Russia, the United States and certain other countries. Proceed from the offering approximated USD 68.8 million. Net proceeds from the offering after deduction of the underwriters' fees and legal expenses approximated USD 65 million.

The holders of Shares and GDRs have voting rights but no guarantee of dividends. The Group will estimate dividends based on financial statements prepared in accordance with IFRS.

As of 29 July 2004 the Group paid dividends for the year ended 31 December 2003 amounting to USD 1,864 thousand.

11. ADDITIONAL PAID-IN-CAPITAL

	31 December 2004 '000 USD	31 December 2003 '000 USD
Premium arising on issue of shares	22,876	-
Less: Underwriting fees	(3,349)	-
Less: Legal and consulting fees	(503)	-
Total	**19,024**	**-**

12. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Russian statutory tax regulations which may differ from International Financial Reporting Standards. During the years ended 31 December 2004 and 2003, the Russian's tax rate for corporations' for profits other than on state securities was 5% for Federal taxes (2003: 7.5%) and 19% for City taxes (2003: 16.5%) (combined 24% rate). The tax rate for interest income on state securities was 15% for Federal taxes.

Income tax assets and liabilities consist of the following:

	31 December 2004 '000 USD	31 December 2003 '000 USD	31 December 2003 (restated) '000 USD
Deferred income tax assets	(469)	-	-
Current income tax liabilities	231	517	517
Deferred income tax liabilities	12,801	3,836	5,931
Income tax liabilities, net	**12,563**	**4,353**	**6,448**

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime for certain income 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 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 31 December 2004 and 2003 comprises:

	31 December 2004 '000 USD	31 December 2003 '000 USD	31 December 2003 '000 USD (restated)
Deferred assets:			
Fixed assets	3,685	167	167
Other payables and accrued expenses	586	15	15
Effect of foreign currency translation of assets	3,495	-	-
Investment property	-	430	-
Total deferred assets	**7,766**	**612**	**182**

	31 December 2004 '000 USD	31 December 2003 '000 USD	31 December 2003 '000 USD (restated)
Deferred liabilities:			
Land	30,859	12,403	12,403
Investment property	11,230	-	8,300
Payable under construction contracts	17,062	3,713	3,713
Other receivables	-	479	479
Total deferred liabilities	**59,151**	**16,595**	**24,895**
Net deferred liabilities	(51,385)	(15,983)	(24,713)
Deferred income tax liability	(12,801)	(3,836)	(5,931)
Deferred income tax asset	469	-	-
Net deferred income tax liability	(12,332)	(3,836)	(5,931)

Relationships between tax expenses and accounting profit for the years ended 31 December 2004 and 2003, are explained as follows:

	Year Ended 31 December 2004 '000 USD	Year Ended 31 December 2003 '000 USD	Pro forma statement (Note 3) Year Ended 31 December 2004 '000 USD (restated)	Pro forma statement (Note 3) Year Ended 31 December 2003 '000 USD (restated)
Profit before income taxes	**20,522**	**9,881**	**11,792**	**13,727**
Statutory tax rate	24%	24%	24%	24%
Theoretical tax at the statutory tax rate of	4,925	2,371	2,830	3,294
Tax on dividends from Cyprus subsidiary	1,800	-	1,800	-
Tax effect of permanent differences	(195)	(793)	(195)	(793)
Income tax expense	**6,530**	**1,578**	**4,435**	**2,501**
Income tax expense				
Deferred income tax expense	4,535	859	2,440	1,782
Current income tax expense	1,995	719	1,995	719
Income tax expense	**6,530**	**1,578**	**4,435**	**2,501**

	Year ended 31 December 2004 '000 USD	Year ended 31 December 2003 '000 USD	Year ended 31 December 2004 '000 USD (restated)	Year ended 31 December 2003 '000 USD (restated)
Deferred income tax liabilities				
At the beginning of the period	3,836	-	5,931	1,172
Increase in the deferred income tax expense charged to income statement	4,535	859	2,440	1,782
Increase in the deferred income tax expense charged directly to equity	4,430	2,977	4,430	2,977
At the end of the period	**12,801**	**3,836**	**12,801**	**5,931**

	Year ended 31 December 2004	Year ended 31 December 2003
Deferred income tax assets		
At the beginning of the period	-	-
Acquisition of subsidiaries	469	-
At the end of the period	**469**	**-**

13. LONG-TERM LOANS

Long-term loans as of 31 December 2004 and 2003 consisted of the following:

	Interest rate	31 December 2004 '000 USD	31 December 2003 '000 USD
AKB Sberbank RF	11%	25,000	-
Accor Limited Company	9%	1,321	-
AKB Rosbank	13%	-	25,000
Total		**26,321**	**25,000**

All loans are USD denominated, except for Accor loan, which is Euro denominated.

As of 31 December 2004 the shares of JSC Hotel Novoslobodskaya and building with a book value of USD 37,600 thousand have been pledged as collateral under the loan received from AKB Sberbank RF (Note 4).

Long-term loan as of 31 December 2004 and 2003 are repayable as follows:

	31 December 2004 '000 USD	31 December 2003 '000 USD
Within one year	528	
In the second year	2,028	25,000
In the third to fifth years inclusive	24,293	-
After five years	-	-
Less: current portion of long-term loans	(528)	
Total	**26,321**	**25,000**

On 15 January 2005 the Group has fully repaid the loan from Accor Limited Company before maturity.

14. CURRENT PORTION OF LONG-TERM LOANS

Current portion of long-term loans as of 31 December 2004 and 2003 consisted of the following:

	Interest rate	31 December 2004 '000 USD	31 December 2003 '000 USD
Accor Limited Company	9%	528	-
Accrued interest		46	44
Total		**574**	**44**

15. TRADE ACCOUNTS PAYABLE

Trade accounts payable as of 31 December 2004 and 2003 consisted of the following:

	31 December 2004 '000 USD	31 December 2003 '000 USD
Trade payables to suppliers and service providers	8,861	5,235
Advances received	1,365	617
Total	**10,226**	**5,852**

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2004 and 2003 consisted of the following:

	Year Ended 31 December 2004 '000 USD	Year Ended 31 December 2003 '000 USD
Management fees	1,661	2,053
Brokerage fees	1,332	167
Payroll and related taxes	918	9
Professional services	404	115
Advertising	390	28
Repairs and maintenance	285	274
Public utilities	248	276
Technical supervision	214	-
Rent expense	86	71
Security expenses	75	-
Depreciation of investment property and fixed assets	40	440
Insurance	37	25
Other expenses	347	17
Total	**6,037**	**3,475**

17. FINANCE COSTS, NET

Finance costs for the years ended 31 December 2004 and 2003 consisted of the following:

	Year Ended 31 December 2004 '000 USD	Year Ended 31 December 2003 '000 USD
Interest income	364	228
Interest expense	(3,420)	(921)
Total	**(3,056)**	**(693)**

18. EARNINGS PER SHARE

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

	Basic			Diluted		
	Weighted average number of shares outstanding during the year	**Net profit for the year ('000 USD)**	**Earnings per share (in USD)**	**Weighted average number of shares outstanding during the year**	**Net profit for the year ('000 USD)**	**Earnings per share (in USD)**
Year ended 31 December 2004	2,107,937	13,992	6.64	2,107,937	13,992	6.64
Year ended 31 December 2003	1,790,000	8,303	4.64	1,790,000	8,303	4.64
Year ended 31 December 2004 (restated)	2,107,937	7,357	3.49	2,107,937	7,357	3.49
Year ended 31 December 2003 (restated)	1,790,000	11,226	6.27	1,790,000	11,226	6.27

19. SUBSEQUENT EVENTS

Effective 1 January 2005 Sergey V. Bachin was appointed as the General Director of JSC Open Investments.

On 7 February 2005 as part of Sochi hotel and residential complex development (Note 1) the Group (as lender) granted a loan to Beliy Parus LLC (as borrower) in the amount of RUR 1,500 thousand. The loan matures on 7 February 2006 and bears interest calculated at a fixed rate of interest of 3% per annum.

On 9 March 2005 the Board of Directors approved the Group's participation in the development of new country housing (cottages) community located on approximately 200 hectare site about 27 km from Moscow City border at Kievskoye Shosse.

On 9 March 2005 the Board of Directors approved the Group's participation in the development of premium country housing (cottages) community located on approximately 18.5 hectare site in Samara City region. As a part of this project on 28 March 2005 the Group (as lender) entered into a credit facility agreement with Federation of Trade Union of Samara Region (as borrower) for USD 1,700 thousand and on 31 March 2005 disbursed USD 850 thousand to the borrower. The loan matures on 15 September 2006 and bears no interest.

On 9 March 2005 the Board of Directors approved the Group's participation in the development of office complex on 2nd Silikatniy proezd, 34 in the Northern part of Moscow.

On 9 March 2005 the Board of Directors approved the Group's participation in the development of new country housing (cottages) community located on approximately 159 hectare site about 35 km from Moscow City border at Novorizhskoye Shosse.

On 28 March 2005 the Board of Directors approved the Group's participation in the development of new country housing (cottages) community located on approximately 125 hectare site about 30 km from Moscow City border at Dmitrovskoye Shosse.

In April 2005 the Group acquired 100% ownership interest in Stroy Group LLC for the total price of USD 12.6 million, USD 6.3 million of which was paid in cash and the remaining portion of which remained as payable within 18 months. Stroy Group LLC will be involved in the development of Pavlovo II project.

In April 2005 the Interregional Ecological Prosecutor's office commenced administrative review of Group's A. I. Raikin Retail and Entertainment Center building permissions and their compliance with the requirements of ecological regulations in connection with project construction. The Company has started good faith cooperation with the Interregional Ecological Prosecutor's office and in agreement with it has temporary stopped mobilization and construction works on the site, it has also started the compensation planting and has also appointed Mosproekt II to develop the landscape design of the park area (as part of the project) to be demonstrated to the Interregional Ecological Prosecutor's office. The Company estimates, that it may satisfy the requirements of the Interregional Ecological Prosecutor's office and to resume the construction works within reasonable period of time. The management believes that the Group does not have any material exposure to sanctions or damages related to this issue.

20. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Parties Disclosures", are those counter parties that represent:

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

(b) associates – enterprises in which the Group has significant influence and which is 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 and close members of the families of such individuals; and

(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.

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 2004 and 2003:

	31 December 2004		31 December 2003	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Trade payables to suppliers and service providers	5,215	8,861	1,591	5,235
Advances received	-	1,365	39	617
Payable to customers under construction contracts	608	26,586	230	6,916
Long-term loans	-	26,895	25,044	25,044
Receivable from customers under construction contracts	419	3,854	25	2,337
Advances paid	48	4,902	-	519
Cash and cash equivalents	44,143	58,358	16,924	17,009

During the year ended 31 December 2004 the Group received loans from a related bank amounting to USD 5,000 thousand, and repaid loans of USD 30,000 thousand. The Group had no unpaid interests accrued in respect of loans received from related parties as of 31 December 2004.

During the year ended 31 December 2003 the Group received loans from a related bank amounting to USD 25,977 thousand, and repaid loans of USD 977 thousand. The Group had unpaid interests accrued in respect of loans received from related parties totaling USD 44 thousand as of 31 December 2003.

During the year ended 31 December 2004 the Group purchased from a related party 49 years lease rights on the land plot for Sakharova Business Plaza for USD 6,334 thousand.

During the year ended 31 December 2004 the Group purchased from a related party equity interests in subsidiaries for a consideration of USD 4,752 thousand.

Included in the consolidated income statement for the years ended 31 December 2004 and 2003 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2004		Year ended 31 December 2003	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Management fees	(1,661)	(1,661)	(2,053)	(2,053)
Interest expense	(3,420)	(3,420)	(921)	(921)
Public utilities	(248)	(248)	(276)	(276)
Technical supervision	(214)	(214)	-	-
Revenue under construction contracts	937	32,344	1,172	9,099
Land sold	-	734	2,124	2,124

Transactions with related parties entered by the Group during the years ended 31 December 2004 and 2003 and outstanding as of 31 December 2004 and 2003 were made in the normal course of business, and mostly under arms-length conditions and on commercial terms.

21. BUSINESS SEGMENTS

Financial information relating to the Group's consolidated segments are as follows for the years ended 31 December 2004 and 2003:

	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Eliminations	Year ended 31 December 2004 '000 USD Group's total
REVENUE							
External sales	33,265	-	3,162	-	313	-	36,740
Inter-segment sales	-	-	245	-	1,351	(1,596)	-
Total revenue	33,265	-	3,407	-	1,664	(1,596)	36,740
RESULT							
Segment operating profit	12,419	-	2,141	-	115	-	14,675
Unallocated expenses							(2,107)
Operating profit							12,568
Segment profit before income tax and change of accounting policy	12,419	-	4,641	-	115	-	17,175
Unallocated expenses, net							(5,383)
Profit before income tax and change of accounting policy							11,792
OTHER INFORMATION							
Segment assets	111,675	22,646	28,049	65,835	982	(32,841)	196,346
Unallocated assets							63,961
Total assets							260,307
Segment liabilities	49,623	236	9,251	40,574	732	(32,841)	67,575
Unallocated liabilities							10,182
Total liabilities							77,757

	Residential property	Commercial property development	Commercial property	Hotel operations	Others	Eliminations	Year ended 31 December 2003 '000 USD Group's total
REVENUE							
External sales	11,223	-	3,266	-	-	-	14,489
RESULT							
Segment operating profit	3,087	-	2,546	-	-	-	5,633
Unallocated expenses							(1,237)
Operating profit							4,396
Segment profit before income tax and change of accounting policy	3,087	-	2,546	-	-	-	5,633
Unallocated income, net							4,248
Profit before income tax and change of accounting policy							9,881
OTHER INFORMATION							
Segment assets	54,598	1,491	16,770	-	982	-	73,841
Unallocated assets							42,587
Total assets							116,428
Segment liabilities	10,752	-	-	-	732	-	11,484
Unallocated liabilities							30,734
Total liabilities							42,218

22. COMMITMENTS AND CONTINGENCIES

***Capital commitments* -** The Group had no material non-cancelable commitments for capital expenditures outstanding as of 31 December 2004. The Group has early termination rights for all concluded capital construction contracts.

***Operating leases* -** The Group's future minimum rental payments under non-cancelable operating leases of the land parcel for office building in effect as of 31 December 2004 and 2003 are presented in the table below.

	31 December 2004	31 December 2003
Not later than 1 year	210	74
Later than 1 year but not later than 5 years	330	296
Later than 5 years	165	370
Total operating lease	**705**	**740**

***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 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 in a generally unstable environment 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. While the Group believes it has complied with all applicable regulations and requirements, the regulations are not always clearly written, it is difficult to predict future interpretations by regulatory authorities, and outcomes of such interpretations. The management of the Group considers the probability of any sanctions being undertaken by local authorities against the Group is remote, and believes that no fines or penalties will become payable. Management has assessed the Group's exposure as a result of the risk and believes the amount at possible risk for this period to be no greater than USD 10,823 thousand. Tax years remain open to review by the tax authorities for three years.

***Pensions and retirement plans* -** Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As of 31 December 2004 and 2003, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

23. 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.

Operating risk - To mitigate operating risk the Group has established straightforward decision making and control procedures, which include: preparation of operating and capital expenditure budgets, bidding procedures for selection of qualified contractors, construction draw procedures, cash controls and policies, as well as periodic reporting. The Group has also established an investment committee (the "Investment Committee"), responsible for making of the investment decisions and a budget committee (the "Budget Committee"), responsible for supervising and controlling of capital and operating budgets of the Group, its affiliates and separate projects.

Credit risk - The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

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

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

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

Tenants: The Group carries out due diligence procedure. Contracts with tenants include safety deposit in the amount of lease payments for 1-6 months, which provides sufficient amount to cover the costs and realize planned profit during 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 flexibility of risk management policy implementation.

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

The Group minimizes to the extent possible any disproportion between the currencies of its major income and expense items, between its assets and liabilities. The Group at the moment maintains US dollar as the currency for most of its contracts with service providers, tenants, buyers and sellers of property, debt instruments outstanding. If due to the Russian Law any settlement shall be in Russian Roubles, the Group still sets prices and values in US Dollars and performs the settlements in Russian Rouble equivalents, calculated on the basis of US Dollar price or value using the prevailing exchange rate of the Central Bank of the Russian Federation.

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

All Group's debt instruments outstanding are fixed rate. The Group plans to remain borrowing at a fixed rate in the future.

***Funding (liquidity) risk* -** Funding (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 insure it has adequate cash available to meet its payment obligations in due course.

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

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

24. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2004 the Company acquired 100% of the issued share capital of Invest Project Group LLC, Bank Tower LLC, Sakharova Business Plaza LLC, Sakharova Office Park LLC, Pavlovo Podvorye LLC and Zhilaya i Commercheskaya Nedvizhimost LLC at the nominal value. This transaction has been accounted for by the purchase method of accounting. At the dates of the acquisitions the above mentioned companies did not perform any activity therefore par value of their share capitals were equal to their net assets stated at fair value and therefore no goodwill was recognized.

On 11 October 2004 the Company acquired 100% of the equity in the OI Management Company LLC ("the Management Company") form ZAO Interros Estate in exchange for a cash consideration of RUR 30.8 million (or USD 1,062 thousand). Thus, the Management Company, together with its subsidiaries, ExpoDom LLC, IR Development LLC, Stroy Invest Group LLC and Invest Group LLC, became wholly owned subsidiaries of the Company. This transaction has been accounted for by the purchase method of accounting. No goodwill was recognized on this transaction as consideration given was equal to fair value of the identifiable assets and liabilities at the date of the acquisition.

Acquired subsidiaries contributed USD 309 thousand of revenue and USD 611 thousand of profit before tax for the period between the dates of acquisitions and the reporting date.

On 12 August 2004 the general shareholder meeting of Hotel Novoslobodskaya JSC decided to decrease the charter capital of Hotel Novoslobodskaya JSC to reflect the fact that the City of Moscow had notmade the charter capital contribution (29.89% equity stake) required to be made in payment for the shares of Hotel Novoslobodskaya JSC. During the year ended 31 December 2004 ZAO Interros Estate contributed 10.10% stake in Hotel Novoslobodskaya JSC in exchange for additional issue of new shares for the total of 416,642 newly issued shares of the Company. As a result of that contribution Open Investments JSC became the owner of 100% of the voting stock of Novotel Moscow Center Hotel (Note 10). As described in Note 7 initially this investment were accounted as securities available-for-sale because the Group was going to sell them and actively was looking for a buyer. At 31 December 2004 management of the Group made a decision (the "Decision") to held this investment during indefinite period of time and consolidate financial statements of Hotel Novoslobodskaya JSC into Group's financial statements since date of the Decision. This transaction has been accounted for by the purchase method of accounting. Goodwill recognized on this transaction represents excess of consideration given over fair value of the identifiable assets and liabilities at the date of the Decision.

At the dates of the acquisition or Decision:

	'000 USD
Net assets acquired:	
Fixed assets, less accumulated depreciation	38,242
Deferred tax assets	469
Inventories	333
Advances paid	445
Value added tax receivable	171
Trade accounts receivable	739
Other receivable and prepaid expenses	785
Cash and cash equivalents	26,139
Loans issued	130
Long-term loans	(26,321)
Short-term portion of long-term loans	(923)
Trade accounts payable	(12,879)
Other payables and accrued expenses	(681)
Tax liabilities, other than income tax liabilities	(616)
	26,033
Total consideration	**26,666**
Satisfied by cash	4,752
Satisfied by available-for-sale securities	21,914
Goodwill	633
Net cash inflow arising on acquisition:	
Cash consideration	(4,752)
Cash and cash equivalents acquired	26,139
	21,387

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.
The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004 and 2003 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents - For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Trade and other accounts receivable - As of 31 December 2004 and 2003, the carrying amount of trade and other accounts receivable is a reasonable estimate of their fair value.

Securities available-for-sale - As of 31 December 2003 securities available-for-sale are stated at fair value of USD 21,596 thousand. Fair value of securities available-for-sale was determined based on valuation made by independent appraisers.

Loans issued - of 31 December 2004 and 2003 the fair value of loans issued is USD 8,272 thousand and USD 320 thousand.

Long-term bank loans - As of 31 December 2004 and 2003, the carrying amount of the long-term borrowings from banks is a reasonable estimate of their fair value.

Trade and other accounts payable - As of 31 December 2004 and 2003, the carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.