World Trade Centre

Consolidated Interim Financial Statements

30 June 2007

Contents

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

	Note	30 June 2007	31 December 2006
ASSETS			
Non-current assets:			
Intangible assets		18	18
Investment property	8	777,173	746,599
Property, plant and equipment	7	334,529	129,321
Prepayments		1,396	5,586
Defined benefit pension plan prepayment	17	2,416	1,882
Non-current financial assets	9	237	365
Total non-current assets		**1,115,769**	**883,771**
Current assets:			
Cash and cash equivalents	12	55,726	23,754
Accounts receivable and prepayments	11	21,996	8,879
Inventories		1,619	1,224
Bank deposits	10	111,870	134,878
Total current assets		**191,211**	**168,735**
Total assets		**1,306,980**	**1,052,506**
LIABILITIES			
Non-current liabilities:			
Deferred tax liabilities	20	241,111	181,044
Advances from customers		-	526
Other employee benefits		-	1,291
Defined benefit pension liability	17	262	235
Total non-current liabilities		**241,373**	**183,096**
Current liabilities:			
Accounts payable and accrued expenses	16	9,612	2,475
Other taxes payable	15	3,618	15,105
Advances from customers		18,293	18,765
Total current liabilities		**31,523**	**36,345**
Total liabilities		**272,896**	**219,441**
Equity (all attributable to the Company's equity holders):			
Share capital	13	46,183	44,691
Reserves	14	241,668	121,213
Retained earnings		746,233	667,161
Total equity attributable to the Company's equity holders		**1,034,084**	**833,065**
Total liabilities and equity		**1,306,980**	**1,052,506**

V.M.Serov
Director General

V.L.Bogoslovskaya
Chief Accountant

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

	Note	6 months ended 30 June 2007	2006
Revenue	18	66,413	55,576
Investment property fair valuation	8	38,160	24,243
Total operating income		**104,573**	**79,819**
Payroll	19	(18,186)	(16,883)
Depreciation	7	(3,289)	(3,345)
Utilities		(2,360)	(2,666)
Materials		(2,892)	(1,943)
Property tax		(1,314)	(1,248)
Repairs and maintenance		(618)	(1,242)
Consulting and other professional services		(1,377)	(1,210)
Communication		(752)	(1,010)
Other	19	(3,741)	(3,619)
Profit from operations		**70,044**	**46,653**
Interest income		4,121	1,706
Gains less losses from currency rates changes		(53)	(1,892)
Other income		481	236
Profit before income tax		**74,593**	**46,703**
Income tax expense	20	(18,319)	(12,683)
Profit for the period		**56,274**	**34,020**
Earnings per share for profit (all from continuing operations) attributable to the equity holders of the Company, basic and diluted (expressed in USD per share)	21	**0.0521**	**0.0367**

The accompanying notes on pages 7 to 34 are an integral part of these consolidated financial statements.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2006		**20,328**	**94,759**	**381,893**	**496,980**
Property, plant and equipment:					
- Revaluation		-	450		450
- Realised revaluation reserve	14	-	(1,279)	1,279	-
Effect of translation to presentation currency		1,216	4,091	20,402	25,709
Income tax recorded in equity	20	-	1,224	-	1,224
Net income recognised directly in equity		1,216	4,486	21,681	27,383
Profit for the period		-	-	34,020	34,020
Total recognised income for 6 months ended 30 June 2006		1,216	4,486	55,701	61,403
Transfer of profit to statutory reserve		-	634	(634)	-
Acquisition of treasury shares	13	(2,806)	-	-	(2,806)
Dividends declared	13	-	-	(2,360)	(2,360)
Balance at 30 June 2006		**18,738**	**99,879**	**434,600**	**553,217**

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2007		**44,691**	**121,213**	**667,161**	**833,065**
Property, plant and equipment:					-
- Revaluation		-	182,473	8,736	191,209
Effect of translation to presentation currency		901	(11,928)	14,063	3,036
Income tax recorded in equity	20	-	(54,885)	-	(54,885)
Net income recognised directly in equity		901	115,660	22,799	139,360
Profit for the period		-	-	56,274	56,274
Total recognised income for 6 months ended 30 June 2007		901	115,660	79,073	195,634
Acquisition of treasury shares	13	(1,595)	-	-	(1,595)
Sale of treasury shares	13	2,186	4,795	-	6,981
Balance at 30 June 2007		**46,183**	**241,668**	**746,233**	**1,034,084**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

		6 months ended 30 June	
	Note	**2007**	**2006**
Cash flows from operating activities			
Profit before income tax		74,593	46,703
Adjustments for:			
Depreciation and amortisation	7	3,289	3,345
Provision for impairment of trade and other receivable		375	-
Gain on investment property fair valuation	8	(38,001)	(24,243)
Interest income		(4,121)	(1,706)
Net foreign exchange (gains) / losses		53	1,892
Provisions for bonuses and leave accruals		(28)	-
Other non-cash operating costs		20,737	109
Operating cash flows before working capital changes		**56,897**	**26,100**
Decrease/(increase) in trade and other receivables		(7,804)	172
Decrease in defined benefit pension plan prepayment		(534)	654
Decrease (increase) in inventories		(395)	28
Increase (decrease) in accounts payable and accrued expenses		5,901	3,152
Increase/(decrease) in advances from customers		(997)	2,991
Increase (decrease) in taxes payable and other taxes		(11,487)	1,008
Cash generated from operations		**41,581**	**34,105**
Income taxes paid		(22,029)	(3,818)
Net cash from operating activities		**19,552**	**30,287**
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,230)	(4,808)
Purchase of investment property		-	(218)
Proceeds from the sale of property, plant and equipment		31	-
Increase in financial and other assets		25,830	(256)
Net cash used in investing activities		**14,631**	**(5,282)**
Cash flows from financing activities			
Purchase of treasury shares	13	(1,625)	(2,806)
Dividends paid to the Company's shareholders	13	(1,955)	(2,340)
Net cash used in financing activities		**(3,580)**	**(5,146)**
Effect of exchange rate changes on cash and cash equivalents		788	1,220
Net increase/(decrease) in cash and cash equivalents		**31,391**	**21,079**
Cash and cash equivalents at the beginning of the period		**24,335**	**9,764**
Cash and cash equivalents at the end of the period		**55,726**	**30,843**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

1 The WTC Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the 6 months ended 30 June 2007 for OAO World Trade Centre (the "Company") and its subsidiaries (together referred to as the "Group" or "WTC Group").

The Company was incorporated and is domiciled in the Russian Federation. The Company is an open joint stock company limited by shares and was set up in accordance with Russian regulations.

The Group's immediate parent and ultimate controlling party is the Chamber of Commerce & Industry of the Russian Federation (31 December 2006: the Chamber of Commerce & Industry of the Russian Federation). The Company's shareholders at 30 June 2007 and 31 December 2006 were:

Name	**Percentage of ownership at 30 June 2007**	**Percentage of ownership at 31 December 2006**
The Chamber of Commerce & Industry	47%	47%
Limited Liability Company "Sovincenter-2" (treasury shares)	-	4%
The Property Management Department of Moscow	10%	10%
Joint Stock Company "DKK"	25%	21%
Others	18%	18%
Total	**100%**	**100%**

Voting power of the Company's shareholders at 30 June 2007 and 31 December 2006 was as follows:

Name	**Percentage of voting rights at 30 June 2007**	**Percentage of voting rights at 31 December 2006**
The Chamber of Commerce & Industry	54%	54%
Limited Liability Company "Sovincenter-2" (treasury shares)	-	-
The Property Management Department of Moscow	-	-
Joint Stock Commercial Bank "Bank of Moscow"	11%	11%
Joint Stock Company "DKK"	20%	21%
Others	15%	14%
Total	**100%**	**100%**

The Company's principal subsidiaries at 30 June 2007 and 31 December 2006 were:

Name	**Nature of business**	**Percentage of voting rights**	**Percentage of ownership**	**Country of registration**
Subsidiaries:				
Soyuz	Hotel management	100%	100%	Russian Federation
Sovincenter-2	Purchase of securities	100%	100%	Russian Federation

1 The WTC Group and its Operations (continued)

Principal activity. The Group is part of the "World Trade Center" global network. The Group's principal business activity is operating a high-quality office, hotel and apartment complex properties. The Group also operates the second largest conference facility in Russia. The Group's portfolio consists of office tower properties, hotel properties and congress centers. The World Trade Center is a real estate complex based in Moscow, Russia, and comprising the following:

- Office tower-1
- Office tower-2
- Mezhduarodnaya-1 (hotel)
- Mezhdunarodnaya-2 (office premises and apartments)
- Congress center
- Apartment building Eridan-1
- Apartment building Eridan-2
- Hotel Soyuz.

Registered address and place of business. The Company's registered address is:

Krasnopresnenskaya nab., 12
123610 Moscow, Russian Federation.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These consolidated financial statements for the half-year ended 30 June 2007 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

Presentation currency. All amounts in these consolidated financial statements are presented in thousands of US Dollars ("USD thousands"), unless otherwise stated. The Group operates in a property development and management market which prices are US dollar driven.

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Minority interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Minority interest forms a separate component of the Group's equity. When a subsidiary is liquidated the minority interest is paid out to the minority shareholders.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Property, plant and equipment. Buildings and other equipment related to the hotels (except for investment properties - refer to note below) are shown at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of buildings are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Other plant and equipment is stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation on items of property, plant and equipment, based on a component approach, is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	40 to 50
Plant and equipment	2 to 20
Other	2 to 10
Leasehold improvements	over the term of the underlying lease

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group. Investment property comprises rights to use land received as a shareholder contribution, land under a 50 year operating lease and buildings held to earn rentals, for capital appreciation or both.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value based on its market value. Market value of the Group's investment property is obtained from reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Fair values are determined using the discounted cash flow method, having regard to recent market transactions for similar properties in the same location as the property being appraised. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Earned rental income is recorded in profit or loss within Revenue. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss and presented separately.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Where rights to use land are classified as investment property, the Company applies accounting policies described above under Investment property.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: trading, available-for-sale, held to maturity and loans and receivables.

Trading investments are securities or other financial assets, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists. The Group classifies financial assets into trading investments if it has an intention to sell them within a short period after acquisition, i.e. within 1 to 3 months. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Held to maturity classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date.

All other financial assets are included in the available-for-sale category.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading investments; and recognised in equity for assets classified as available for sale.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from equity to profit or loss.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Held to maturity investments. Held to maturity investments are carried at amortised costs using the effective interest method, net of a provision for incurred impairment losses.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

Advances received from customers. Business practices in Russia generally involve a considerable proportion of sales on a prepayment basis, wherein, payment is collected from customers prior to delivery of services.

A considerable proportion of the Group's rental income is made on prepayment terms. Customers transfer funds to the Group before rental services are rendered, and these funds are recorded as advances received from customers at their fair value of consideration. Advances received are amortised to income over the rental period.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cashflow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own shares in the market, the shares are presented as a deduction from equity, at the amount paid including transaction costs, applying the cost method: the gross cost of the treasury shares is shown as a one-line deduction from equity, that is, treasury shares are shown as a separate class of shareholders' equity with a debit balance.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Value added tax. Value added tax related to sales is payable to tax authorities upon accrual of revenue from services rendered to customers. Input VAT is generally reclaimable against sales VAT upon accrual for purchases, except for export sales related input VAT which is reclaimable upon confirmation of export and input VAT on construction in progress which can be reclaimed only upon transfer of a constructed asset into operation. The 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 recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Foreign currency translation. Functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency is the national currency of the Russian Federation, Russian Roubles ("RR"), and the Group's presentation currency is US dollar.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation from functional to presentation currency. The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

At 30 June 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 25.8162 (31 December 2006: USD 1 = RR 26.3311).

Revenue recognition. Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Gross rental income is determined based on contractual lease term entitlements. The rental income from a lease contract is straight-lined over the period of the contract. The straight-lined income is presented in the period to which it is attributable. Gross rental income includes service charges, such as heating, electricity and security.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are delivered to customers.

Revenue from operating the hotels represents amounts billed in respect of rooms and other services provided and food and beverage sold during the year.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Retirement benefit obligations. The Company's post-employment non-statutory benefit plan is placed with the Chamber of Commerce & Industry's Pension Fund and classifies as a defined benefit plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 22.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Estimate of fair value of PPE and investment properties. The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgements, the Group considers information from a variety of sources including:

- discounted cash flow (DCF) projections, based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts, and from external evidence such as current market rent for similar properties in the same location an condition, and using discount rates that reflect the current market assessment of the uncertainty in the amount and timing of the cash flows;

- current prices in an active market for offers of different nature, conditions or locations, adjusted to reflect these differences.

If information on current or recent prices of investment properties is not available, the fair value of investment properties is determined using DCF valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each of the balance dates.

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void/vacancy periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to actual market yield data and to actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar offices in the same location and condition.

If the assumptions used in the valuation of the fixed assets and investment properties varied from those used, the valuations could differ significantly from what was recorded.

Present value of the defined benefit pension plan obligation. The main assumptions used in determining the present value of the defined benefit pension plan obligation are discussed in Note 17.

4 Adoption of New or Revised Standards and Interpretations

Standards, amendment and interpretations effective in 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Interpretation early adopted by the Group:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009.
- IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

5 Segment Information

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of two main business segments:

- Rent of premises, apartments and parking lots – representing renting office premises and apartment units, providing communication and other business services to tenants, and providing a pool of parking lots;
- Hotelling and Congress services – representing managing the hotels and providing catering services to guests, managing congress center, and providing conference services and facilities.

There are no transactions between the business segments.

Other operations of the Group mainly comprise ancillary services such as satellite TV, transportation, repairs and maintenance services, information services and others, neither of which are of a sufficient size to be reported separately.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and mainly exclude investments and income tax balances. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to property, plant and equipment and costs associated with the construction second stage of WTC-2 building complex that will consist of office premises and a hotel. Due to the early stage of construction works, the Group could not reliably estimate the costs attributable to each segment, and the total construction costs were recorded as Other. Impairment loss and provisions relate only to those charges made against allocated assets.

Segment information for the main reportable business segments of the Group for the 6 months ended 30 June 2006 and 6 months ended 30 June 2007 is set out below:

	Rent of premises, apartments and parking lots	**Hotelling and Congress services**	**Other**	**Group**
6 months ended 30 June 2007				
Sales – external	44,416	21,058	939	66,413
Investment property fair valuation	38,160	-	-	38,160
Total operating income	82,576	21,058	939	**104,573**
Segment result	74,904	12,091	626	87,621
Unallocated expenses				(17,577)
Operating profit				**70,044**
Interest income				4,121
Gains less losses from currency rates changes				(53)
Other income				481
Profit/(loss) before income tax				**74,593**
Income tax expense				(18,319)
Profit /(loss) for the period				**56,274**
At 30 June 2007				
Segment assets	821,930	285,657	4,115	1,111,702
Total segment assets	821,930	285,657	4,115	**1,111,702**
Bank deposits				111,870
Other unallocated assets				83,408
Total assets				**1,306,980**
Segment liabilities	(18,293)	(5,430)	(4,182)	(27,905)
Total segment liabilities	(18,293)	(5,430)	(4,182)	**(27,905)**
Current and deferred tax liability				(241,111)
Other unallocated liabilities				(3,880)
Total liabilities				(272,896)
Capital expenditure	3116	1768	6,523	11,407
Depreciation and amortisation	-	(2,718)	(571)	(3,289)

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

5 Segment Information (Continued)

	Rent of premises, apartments and parking lots	Hotelling and Congress services	Other	Group
6 months ended 30 June 2006				
Sales – external	37,187	16,819	1,570	55,576
Investment property fair valuation	24,243	-	-	24,243
Total operating income	72,876	16,819	1,570	79,819
Segment result	51,537	8,298	992	60,827
Unallocated expenses				(17,174)
Operating profit				46,653
Interest income				1,706
Gains less losses from currency rates changes				(1,892)
Other income				236
Profit/(loss) before income tax				46,703
Income tax expense				(12,683)
Profit /(loss) for the period				34,020
At 30 June 2006				
Segment assets	432,702	161,442	11,852	605,996
Total segment assets	432,702	161,442	11,852	605,996
Bank deposits				51,501
Other unallocated assets				37,353
Total assets				694,850
Segment liabilities	(15,125)	(2,142)	(771)	(18,038)
Total segment liabilities	(15,125)	(2,142)	(771)	(18,038)
Current and deferred tax liability				(116,918)
Other unallocated liabilities				(6,677)
Total liabilities				(141,633)
Capital expenditure	218	99	3,660	3,977
Depreciation and amortisation	-	3,013	332	3,345

Geographical segments. The Group's two business segments operate in one main geographical area (Moscow, Russia).

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

6 Balances and Transactions with Related Parties

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent and ultimate controlling party are disclosed in Note 1.

In the normal course of business the Group enters into transactions with its related parties. These transactions are shown in the consolidated income statement at contracted prices which could differ from the fair value of services rendered. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2007 and 31 December 2006 are detailed below.

At 30 June 2007, the outstanding balances with related parties were as follows:

	Parent company	**Entities under common control**	**Other related parties**
Gross amount of other receivables	18	-	-
Prepayment for purchase of shares Phominexpo[5]	9,684	-	-
Prepayment made to the Pension fund[1]	-	2,416	-
Defined benefit pension liability [1]	-	262	-
Loan receivable [2]	-	159	-

The income and expense items with related parties for 6 months ended 30 June 2007 were as follows:

	Parent company	**Entities under common control**	**Other related parties**
Income:			
Hotelling services	45	-	-
Expenses:			
Dividends paid	1,437	-	272
Consulting and other professional services [3]	1,108	-	-
Loss from managing a business center [4]	136	-	-
Defined benefit plan – pension expense [1]	-	81	-
Charity[1]		383	
Remuneration paid to the members of the Board of Directors	-	-	171

[1] *Agreement for non-state pension coverage.* The Company signed an agreement with the Non-state Pension Fund Commerce and Industry Pension Fund regarding non-state pension coverage of the Company's employees. Details of the pension plan are disclosed in Note 17.
[2] *Loan receivable* represents a 4.5% interest bearing loan given to Soyuzexpertiza, an entity under control of the Chamber of Commerce and Industry.
[3] *Consulting services agreement.* The Company has an agreement with the Chamber of Commerce and Industry whereby they provide services to assist the Company in establishing business relations with foreign partners, attracting tenants and also providing media support. In addition, the Company has another agreement with the Chamber of Commerce and Industry for consultancy services.
[4] *Trust management agreement.* The Company has a trust management agreement with the Chamber of Commerce and Industry. According to the agreement, the Chamber transferred a building that it beneficially owns to the Company as trustee. The Company manages the property for the benefit of the Chamber for a consideration which is paid on a quarterly basis in the amount of a 2.5% of all revenues received from the trust management. The Company also guarantees revenues in the amount of RR 30,000 thousand to be received from the trust management, and compensates any unearned revenues to the Chamber.
[5] Prepayment for purchase of shares OOO Prominexpo (RR 250,000 thousand) was performed by the Company in accordance with the agreement with the Chamber of Commerce and Industry.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

Balances and Transactions with Related Parties (Continued)

At 31 December 2006, the outstanding balances with related parties were as follows:

	Parent company	Entities under common control	Other related parties
Gross amount of other receivables	14	-	-
Prepayment for consulting services[3]	1,087	-	-
Prepayment made to the Pension fund[5]	-	1,882	-
Defined benefit pension liability [1]	-	235	-
Loan receivable [6]	-	309	-

The income and expense items with related parties for 6 months ended 30 June 2006 were as follows:

	Parent company	Entities under common control	Other related parties
Income:			
Hotelling services	46	-	-
Expenses:			
Dividends paid	1,098	-	1,262
Consulting and other professional services [7]	722	-	-
Loss from managing a business center [8]	191	-	-
Defined benefit plan – pension expense [9]	-	466	-
Remuneration paid to the members of the Board of Directors	-	-	232

At 30 June 2007, there were no other rights and obligations with related parties.

Cross shareholding. At 30 June 2007 Sovincenter-2, a 100% owned subsidiary of the Company, owned 0.30% of the ordinary shares of the Company, and 0.21% of the preference shares of the Company. Shares owned by Sovincenter-2 are accounted for as treasury shares, but retain their voting rights and rights to dividends.

Board of Directors. During 6 months ended 30 June 2007, the remuneration of members of the Board of Directors totalled USD 171 thousand (6 months ended 30 June 2006: USD 232 thousand) and comprised service fees (6 months ended 30 June 2007: USD 0 thousand, 6 months ended 30 June 2006: USD 166 thousand), discretionary bonuses (6 months ended 30 June 2007: USD 171 thousand, 6 months ended 30 June 2006: USD 36 thousand) and other short-term benefits (6 months ended 30 June 2007: USD 0 thousand, 6 months ended 30 June 2006: USD 30 thousand).

[5] *Agreement for non-state pension coverage.* The Company signed an agreement with the Non-state Pension Fund Commerce and Industry Pension Fund regarding non-state pension coverage of the Company's employees. Details of the pension plan are disclosed in Note 18.

[6] *Loan receivable* represents a 4.5% interest bearing loan given to Soyuzexpertiza, an entity under control of the Chamber of Commerce and Industry.

[7] *Consulting services agreement.* The Company has an agreement with the Chamber of Commerce and Industry whereby they provide services to assist the Company in establishing business relations with foreign partners, attracting tenants and also providing media support.

[8] *Trust management agreement.* The Company has a trust management agreement with the Chamber of Commerce and Industry. According to the agreement, the Chamber transferred a building that it beneficially owns to the Company as trustee. The Company manages the property for the benefit of the Chamber for a consideration which is paid on a quarterly basis in the amount of a 2.5% of all revenues received from the trust management. The Company also guarantees revenues in the amount of RR 30,000 thousand to be received from the trust management, and compensates any unearned revenues to the Chamber.

[9] *Agreement for non-state pension coverage.* The Company signed an agreement with the Non-state Pension Fund Commerce and Industry Pension Fund regarding non-state pension coverage of the Company's employees. Details of the pension plan are disclosed in Note 17.

The following persons were directors of the Company during the 6 months period ended 30 June 2007 and financial year ended 31 December 2006:

Strashko Vladimir P. (Chairman)
Kotov Yury I.
Kuprianov Alexandr A.
Mareev Sergei I. (appointed as a director on 25 May 2007)
Tarachanov Sergei A. (resigned on 25 May 2007)
Tepluhin Pavel M. (appointed as a director on 25 May 2007)
Katenev Vladimir I.
Komarov Evgeni B. (resigned on 25 May 2007)
Serov Valeri M. (the Director General of the Company)

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

7 Property, Plant and Equipment

	Buildings	Plant and equipment	Other	Construction in progress	Total
Cost or valuation at 1 January 2006	158,065	9,550	503	4,266	172,384
Accumulated depreciation	(7,385)	(6,595)	(419)	-	(14,399)
Carrying amount at 1 January 2006	**150,680**	**2,955**	**84**	**4,266**	**157,985**
Additions	128	445	35	3,151	3,759
Disposals	-	(2)	(1)	-	(3)
Revaluation	-	-	-	450	450
Effect of translation to presentation currency – cost or valuation	3,416	610	32	338	4,396
Depreciation charge	(3,013)	(318)	(14)	-	(3,345)
Effect of translation to presentation currency – depreciation	(532)	(183)	(12)	-	(727)
Cost or valuation at 30 June 2006	161,610	10,562	568	8,206	180,946
Accumulated depreciation	(10,930)	(7,055)	(445)	-	(18,430)
Carrying amount at 30 June 2006	**150,680**	**3,507**	**123**	**8,206**	**162,516**
Cost or valuation at 1 January 2007	119,228	19,508	2,097	13,661	154,494
Accumulated depreciation	(14,136)	(10,036)	(1,001)	-	(25,173)
Carrying amount at 1 January 2007	**105,092**	**9,472**	**1,096**	**13,661**	**129,321**
Additions	715	1,578	2,457	11,064	15,813
Disposals	-	(96)	(96)	-	(192)
Revaluation	174,128	-	-	-	174,128
Effect of translation to presentation currency – cost or valuation	4,183	309	(30)	387	4,849
Depreciation charge	-	(3,033)	(239)	-	(3,273)
Effect of translation to presentation currency – depreciation	-	(231)	(22)	-	(254)
Cost or valuation at 30 June 2007	298,253	21,299	4,428	25,112	349,092
Accumulated depreciation	-	(13,301)	(1,263)	-	(14,563)
Carrying amount at 30 June 2007	**298,253**	**7,998**	**3,165**	**25,112**	**334,529**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

7 Property, Plant and Equipment (continued)

Buildings and other equipment attributable to the Hotel and Congress segment have been revalued to market value at 30 June 2007. The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was discounted cash flows (DCF). Fair values were estimated using appropriate valuation techniques using the following assumptions:

- the discount factor 12.5% for Mezhdunarodnaya-1 and 13% for Souz;
- the DCF model assumes the rate per room of USD 286 for Mezhdunarodnaya-1 and USD 108 for Souz with growth of 8% pa during 2007-2008 and further growth of 6% from 2009, occupancy rate of 43% for Mezhdunarodnaya-1 and 64% for Souz, and occupancy rates growth of 2% pa for the hotels up to 2009, with the annualisation of incomes afterwards;
- operating expenses assumed to maintain the above revenue and occupancy growth rates are direct department expenses (eg salaries), fixed charges (eg property tax, insurance, scheduled repairs and maintenance) and other unavoidable costs (eg general and admin). Property tax assumed to be 2% of total carrying value of the Group's assets based on the Russian statutory property tax rate.

Total value of properties derived by appraisers includes market value of the building as well as market value of the land lease rights. Market value of land lease rights attributable to the hotel buildings is not recorded in the Group's consolidated financial statements as an asset, it is accounted for as an operating lease. The value of the portion of the land excluded from the total value was determined based on the footprint area underneath the hotel buildings classified as PPE.

The land lease market in Moscow is very volatile and not very transparent where there is limited information available regarding transaction prices. Given the valuation methodology used (i.e. income approach where value of the land is deducted from the total value) the remaining value (i.e. value of the building including all fixture and fittings) is likely to be volatile also. As a result, the increase in market value of buildings is attributable to the change in estimation of decrease in market value of buildings as at 31 December 2006. This decline in the value of the hotel building was mainly caused by slower growth of the occupancy rates and higher expenditure projections compared with the prior year estimates.

8 Investment Property

	2007	2006
Investment properties at fair value as at 1 January	**746,599**	**389,200**
Additions	-	218
Disposals	-	(206)
Fair value gains less losses	38,160	24,243
Effect of translation to presentation currency	(7,586)	25,025
Investment properties at fair value as at 30 June	**777,173**	**438,480**

The investment properties are valued semi-annually on 30 June 2007 at fair value, by an independent, professionally qualified valuer who has recent experience in valuing similar properties in the Russian Federation.

Valuation of investment property at 30 June 2006 was performed by management of the Group.

The methods and significant assumptions applied in determining the fair value were as follows:

- the discounted cash flow method was used to arrive at fair values of land and properties classified as investment property at 30 June 2007;
- the discount factor used was 12,5% for 6 months ended 30 June 2007 (14% for 6 months ended 30 June 2006), being the market rate;
- the DCF model assumes the rental rate of approximately USD 720 per square meter for WTC, revenue growth of 10% pa decreasing from 2009 at 2% pa, average occupancy rate of 97%, with the annualisation of incomes afterwards. For apartment units the rental rate is assumed at USD 473 pa growing by 4% pa;
- it is assumed that 100% of operating expenses are reimbursable by tenants, and these expenses account for 15% of total growth rentals. In addition, the Group is assumed to be paying some fixed charges (eg property tax and insurance), as well as renovation and repair costs;
- USA CPI (inflation rate applied for the purposes of DCF) is assumed at a level of 4% pa.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

9 Non-current financial assets

	30 June 2007	31 December 2006
Assets available for sale		
Corporate shares:		
Vneshtorgbank shares (0.002%)	16	15
ZAO "Eurostrakh" (9.0%)	4	3
Assets held to maturity		
OVVGZ 3% coupon bonds	28	27
Loans and receivables		
Loans given to related party	159	205
Loans given to employees	30	115
Total non-current financial assets	**237**	**365**

Available-for-sale investments include equity securities. Investments in shares of Vneshtorgbank and ZAO "Eurostrakh" are carried at cost of USD 16 thousand and USD 4 thousand respectively (31 December 2006: USD 15 thousand and USD 3 thousand).

For other investments traded in active markets, fair value is determined by reference to the current market value at the close of business on 30 June 2007.

OVVGZ are USD denominated loan bonds issued by the Ministry of Finance of the Russian Federation. OVVGZ bonds have maturity dates in 2008, with a coupon rate of 3% payable annually.

Loans given to a related party represent a non-current portion of the loan provided to Souzexpertiza, the Company's related party. Interests are payable on a monthly basis at a rate of 4.5% p.a. Loans are carried at amortized cost.

10 Current financial assets

	30 June 2007	31 December 2006
Assets held to maturity		
Corporate bonds	-	349
Cash held by broker on the bank account	-	42
Loans and receivables		
Loans given to a related party	109	104
Loans given to employees	25	56
Assets held for trading		
Corporate bonds	50,273	7,508
Cash held by trustee on the bank account	13,557	539
Bank deposits		
Bank deposits USD denominated (interest rate: 2006: 5.67% p.a.)	-	15,575
Bank deposits RR denominated (interest rate 2006: 6.56% p.a.)	-	102,403
Bank deposits EUR denominated (interest rate: 7.25% p.a.)	8,775	8,302
Bank deposits RR denominated (interest rate: 8% p.a.)	38,736	-
Bank deposits RR denominated (interest rate: 5,2% p.a.)	395	-
Total current financial assets	**111,870**	**134,878**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

Assets held for trading include an investment portfolio of corporate bonds held and managed by the investment company (trustee). These investments are carried at fair value which is determined directly by reference to published price quotations in an active market. All investments included in the portfolio are traded in an active market. The asset growth bonus of the portfolio is amounted to 15% p.a.

Cash held by trustee on the bank account represents restricted cash given to the trust management, but not used for the purchase of investments.

11 Accounts receivable and Prepayments

	30 June 2007	31 December 2006
Trade receivables	2,063	1,458
VAT recoverable	350	372
Other receivables	14,176	2,598
Prepayments	5,785	3,415
Less impairment loss provision	(378)	(412)
Total trade and other receivables	**21,996**	**7,431**

Trade receivables of USD 156 thousand (31 December 2006: USD 134 thousand) net of impairment loss provisions are denominated in foreign currency, mainly in US dollars.

12 Cash and Cash Equivalents

	30 June 2007	31 December 2006
Cash on hand	12	12
RR denominated bank balances (interest rate: 0.35% p.a.; 2006: 0.35% p.a.)	14,844	22,277
USD denominated bank balances (interest rate: 0.35% p.a.; 2006: 0.35% p.a.)	759	1,312
USD denominated overnights (interest rate: 4.25%)	12,370	-
RR denominated overnights (interest rate: 0.6%)	26,727	-
Corporate card accounts	34	56
Cash in transit	980	97
Total cash and cash equivalents	**55,726**	**23,754**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

13 Share capital

	Number of outstanding shares	Ordinary shares	Preference shares	Share capital	Treasury shares	Total
At 1 January 2006	1,245,000,200	37,627	5,628	43,255	(22,927)	20,328
Acquisition of treasury shares	-	-	-	-	(2,806)	(2,806)
Translation to presentation currency	-	2,367	355	2,722	(1,506)	1,216
At 30 June 2006	1,245,000,200	39,994	5,983	45,977	(27,239)	18,738
At 31 December 2006	1,245,000,000	41,130	6,152	47,282	(2,591)	44,691
Acquisition of treasury shares	-	-	-	-	(1,611)	(1,611)
Sale of treasury shares to public	-	-	-	-	2,208	2,208
Translation to presentation currency	-	820	123	946	(49)	896
At 30 June 2007	1,245,000,000	41,950	6,275	48,226	(2,043)	46,183

The Company's shareholders approved a resolution to transfer from retained earnings to share capital the monetary loss recognised in previous years on the restatement of share capital for the effects of hyperinflation. Following the reclassification, the nominal registered amount of the Company's issued share capital corresponds to the amount reported in these consolidated financial statements.

The total authorised number of ordinary shares is 1,083,000 thousand shares (2005: 1,083,000 thousand shares) with a par value of RR 1 per share (2005: RR 1 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The total authorised number of preference shares is 162,000 thousand shares (2005: 162,000 thousand shares) with a par value of RR 1 per share (2005: RR 1 per share). All issued preference shares are fully paid.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights except in instances where decisions are made in relation to re-organisation and liquidation of the Company, and where changes and amendments to the Company's charter which restrict the rights of preference shareholders are proposed. Preference share dividends are set by the Charter of the Company at no less that 1% of the par value of preference shares p.a. (2005: 1% p.a.) and rank above ordinary dividends.

At 30 June 2007 treasury shares include 3,781,800 ordinary and 2,570,860 preference shares of the Company (31 December 2006: 1,511,800 ordinary and 55,315,260 preference shares) owned by a wholly owned subsidiary of the Group, Sovincenter-2. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the Management of the Group.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

13 Share Capital (Continued)

Dividends declared and paid during the period were as follows:

	6 months ended 30 June 2007		6 months ended 30 June 2006	
	Ordinary	**Preference**	**Ordinary**	**Preference**
Dividends payable at 1 January	18	8	19	4
Dividends declared during the period	2,456	362	2,053	307
Dividends paid during the period	(1,706)	(148)	(2,042)	(298)
Effect of translation to presentation currency	1	-	1	-
Dividends payable at 30 June	**769**	**222**	**31**	**13**
Dividends per share declared during the period (in USD)	**0.0023**	**0.0023**	**0.0019**	**0.0019**

All dividends are declared and paid in Russian Roubles.

14 Other Reserves

	Revaluation reserve for property, plant and equipment	Share premium	Statutory reserve	Currency translation reserve	Total
At 1 January 2006	89,564		5,843	(648)	94,759
Revaluation	450	-	-	-	450
Realised revaluation reserve	(1,279)	-	-	-	(1,279)
Income tax effects	1,224	-	-	-	1,224
Transfer of profit to statutory reserve	-	-	634	-	634
Effect of translation to presentation currency	-	-	-	4,091	3,991
At 30 June 2006	89,959	-	6,477	3,443	99,879
At 1 January 2007	50,779	51,515	7,092	11,827	121,213
Revaluation	182,473	-	-	-	182,473
Income tax effects	(54,885)	-	-	-	(54,885)
Proceeds from sale of treasury shares, net of tax	-	4,795	-	-	4,795
Effect of translation to presentation currency	(1,095)	815	179	(11,827)	(11,928)
At 30 June 2007	177,271	57,125	7,271	-	241,668

Revaluation reserve for property, plant and equipment is transferred to retained earnings when realised through depreciation, impairment, sale or other disposal. Currency translation reserve represents an effect of translation of balances from measurement to presentation currency.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

14 Other Reserves (continued)

In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For 6 months ended 30 June 2007, the current period net statutory profit for the Company as reported in the published annual statutory reporting forms was USD 30,332 thousand (6 months ended 30 June 2006: USD 17,893 thousand) and the closing balance of the accumulated profit including the current period net statutory profit totalled USD 196,443 thousand (31 December 2005: USD 114,553 thousand). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

The Russian statutory reserve is established in accordance with the Charter of the Company to reach no less than 15% of the share capital. The reserve is formed by transfers of no less than 5% of the net profit for the year. The distribution of the reserve is limited by the Charter to recovery of possible losses, redemption of promissory notes and repurchase of own shares of the Company.

15 Other taxes payable

	30 June 2007	31 December 2006
Other taxes payable within one year comprise:		
Value-added tax	2,044	1,086
Personnel income tax	523	-
Income tax	293	13,346
Property and other taxes	758	673
Total other taxes payable	**3,618**	**15,105**

16 Accounts payable and accrued expenses

	30 June 2007	31 December 2006
Trade payables	648	695
Accruals	48	1,301
Payables to shareholders	816	26
Other creditors	8,100	453
Trade and other payables	**9,612**	**2,475**

17 Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group’s pension plan on retirement, disability or death. The Group has one plan with a defined benefit section (non-state pension fund) and a defined contribution section (state pension fund). The defined contribution section receives fixed contributions from Group companies and the Group’s legal or constructive obligation is limited to these contributions.

The defined benefit pension plan provide for monthly pension during 5 years upon attaining statutory retirement age (55 – females, 60 – males). The pension is settled via the Non-state pension fund Chamber of Commerce and Industry Pension Fund. The pension plan is unfunded, as the contract with the fund specifies an option for the Company to unconditionally withdraw any contributions made.

There were 1,329 active participants to the defined benefit plan at 30 June 2007 (31 December 2006: 1,329).

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

The following sets out details in respect of the defined benefit section only.

(a) Balance sheet amounts
The amounts recognised in the balance sheet are determined as follows:

	30 June 2007	31 December 2006
Present value of the defined benefit obligation	699	679
Fair value of defined benefit plan assets	-	-
	699	679
Unrecognised actuarial (losses) / gains	38	52
Unrecognised past service costs	(470)	(481)
Effect of translation to presentation currency	(5)	(15)
Net liability in the balance sheet	**262**	**235**

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit section of the plan in line with the actuary's latest recommendations.

(b) Amounts recognised in the income statement
No current service costs were charged during 6 months ended 30 June 2007 due to the fact that the majority of employees joined the plan at the end of the year.

The amounts recognised in the income statement are as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Current service cost	30	156
Interest cost	23	114
Expected return on plan assets	-	-
Net actuarial losses (gains) recognised in period	-	-
Settlements	(3)	-
Amortisation of past service cost	31	196
Total included in employee benefits expense	**81**	**466**
Actual return on plan assets	-	-

(c) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Nominal discount rate	6.60% pa	7.00% pa
Nominal pension entitlement increase (before benefit commencement)	9.20% pa	7.10% pa
Nominal increase in pensions-in-pay (after benefit commencement)	4.50% pa	5.00% pa

(d) Changes in the present value of the defined benefit obligation

	30 June 2007	31 December 2006
Defined benefit obligation at the beginning of the period	679	3,741
Service cost	30	50
Interest cost	23	72
Actuarial losses (gains)	13	(105)
Benefits paid	-	-
Benefit amendments	(59)	(679)
Past service costs	-	(2,642)
Effect of translation to presentation currency	14	242
Defined benefit obligation at the end of the period	**699**	**679**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

17 Retirement benefit obligations (continued)

(e) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than yearly intervals, and the last such assessment was made as at 30 June 2007.

Total prepayment made by the Company to the fund by 30 June 2007 is USD 2,416 thousand which is recognised as a prepayment made to the fund at 30 June 2007 (31 December 2006: USD 1,882 thousand).

(f) Sensitivity analysis

Sensitivity analysis presented in the table below illustrates the impact of changes in the key assumptions used on the resulting DBO for active members and pensioners as at 30 June 2007:

	Change in DBO as at 30 June 2007	Change in DBO as at 31 December 2006
Real discount rate of 1% p.a. lower than the base case	6%	6%
Real benefit entitlement increase of 1% p.a. higher than the base case prior to benefit commencements	6%	6%
Annuity rate of 4%	-	-
Death rates of minus 10% to the base case	1%	1%
Withdrawal rates 1%	-	-

18 Analysis of Revenue by Category

	6 months ended 30 June 2007	6 months ended 30 June 2006
Rentals	38,851	32,528
Hotelling	15,004	12,387
Communication	3,979	3,187
Catering	3,457	2,738
Exhibition	2,596	1,694
Parking	1,586	1,481
Other	939	1,570
Total sales	**66,413**	**55,576**

19 Operating Income and Expenses

Included in payroll costs are the following expenses:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Salaries and other payroll related accruals	14,318	13,109
Statutory social security and pension contributions	3,238	3,050
Non-statutory defined benefit pension plan expense	81	466
Other employee benefits	228	
Voluntary medical insurance	321	258
Total Payroll	**18,186**	**16,883**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

19 Operating Income and Expenses (continued)

Other operating expenses comprise:

	6 months ended 30 June 2006	6 months ended 30 June 2006
Charity	591	484
Bank charges	52	286
Advertising	159	230
Security	242	217
Catering	916	199
Loss on managing the business center	136	191
Management expenses	197	153
Land lease	148	119
General and administrative	55	119
Insurance	89	86
Agency commission	276	29
Other	880	1,506
Total Other expenses	**3,741**	**3,487**

20 Income Taxes

Income tax expense comprises the following:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Current tax	8,318	5,920
Deferred tax	10,001	6,763
Income tax expense for the period	**18,319**	**12,683**

A reconciliation between the expected and the actual taxation charge is provided below.

	6 months ended 30 June 2007	6 months ended 30 June 2006
IFRS profit before tax	**74,593**	**46,703**
Theoretical tax charge at statutory rate (2007: 24%; 2006: 24%)	17,902	11,209
Tax effect of items which are not deductible or assessable for tax purposes:		
- charity	92	-
- social expenses out of net profit	73	968
- non-statutory pension fund expense	7	35
- membership fees	138	-
- other	107	471
Income tax expense for the period	**18,319**	**12,683**

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

20 Income Taxes (Continued)

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 24% (2006: 24%).

	1 January 2007	Charged/ (credited) to profit or loss	Charged / (credited) directly to equity	Effect of translation to presentation currency	30 June 2007
Tax effect of deductible temporary differences					
Bad debt allowance	99	(10)	-	2	91
Accounts payable	312	(50)	-	6	268
Inventories	107	(108)	-	1	-
Defined benefit pension plan obligation	56	6	-	1	63
Gross deferred tax asset	**574**	**(162)**	**-**	**10**	**422**
Less offsetting with deferred tax liabilities	(574)	162	-	(10)	(422)
Recognised deferred tax asset	**-**	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences					
Property, plant and equipment	(24,206)	(11,687)	(42,969)	11,074	(67,788)
Investment properties	(156,960)	(12,940)	-	(3,264)	(173,164)
Defined benefit pension prepaid	(452)	(118)	-	(10)	(580)
Gross deferred tax liability	**(181,618)**	**(24,745)**	**(42,969)**	**7,800**	**(241,532)**
Less offsetting with deferred tax assets	574	(162)	-	10	422
Recognised deferred tax liability	**(181,044)**	**(24,907)**	**(42,969)**	**7,810**	**(241,111)**

	1 January 2006	Charged/ (credited) to profit or loss	Charged / (credited) directly to equity	Effect of translation to presentation currency	30 June 2006
Tax effect of deductible temporary differences					
Impairment provision for receivables	26	-	-	2	28
Accounts payable	45	221	-	7	273
Inventories	137	136	-	11	284
Defined benefit pension obligation	174	(170)	-	8	12
Gross deferred tax asset	**382**	**187**	**-**	**28**	**597**
Less offsetting with deferred tax liabilities	**(382)**	**(187)**	**-**	**(28)**	**(597)**
Recognised deferred tax asset	**-**	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences					
Property, plant and equipment	(31,280)	(1,310)	1,224	(1,969)	(33,335)
Investment properties	(73,383)	(5,818)	-	(4,746)	(83,947)
Defined benefit pension plan	(391)	178	-	(20)	(233)
Gross deferred tax liability	**(105,054)**	**(6,950)**	**1,224**	**(6,735)**	**(117,515)**
Less offsetting with deferred tax assets	382	187	-	28	597
Recognised deferred tax liability	**(104,672)**	**(6,763)**	**1,224**	**(6,707)**	**(116,918)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

All amounts are measured in Russian Roubles and presented in thousands of US Dollars (Note 2)

21 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during 6 months ended 30 June 2007, excluding treasury shares.

At present the Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

Earnings per share are calculated as follows:

	6 months ended 30 June 2007	6 months ended 30 June 2006
Profit (all from continuing operations) attributable to equity holders of the Company	56,274	34,020
Weighted average number of ordinary shares in issue	1,080,879,032	926,705,400
Basic and diluted earnings per share (all from continuing operations) for profit attributable to equity holder of the Company (expressed in USD per share)	**0.0521**	**0.0367**

22 Contingencies, Commitments and Operating Risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims, accordingly no provisions have been made in these consolidated financial statements.

At 30 June 2007 and 31 December 2006 the Group was not engaged in litigation proceedings.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice with this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

The tax consequence of transactions for Russian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Rules. Accordingly, the Group structures certain transactions so as to take advantage of such form driven determinations to reduce the overall effective tax rate of the Group. The consolidated income statement as presented in these consolidated financial statements includes reclassifications to reflect the underlying economic substance of those transactions. The effect of these reclassifications does not have an effect on the Group's profit before tax.

22 Contingencies, Commitments and Operating Risks (Continued)

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 June 2007 no provision for potential tax liabilities had been recorded (31 December 2006: no provision). The Group estimates that it has potential obligations from exposure to other than remote tax risks of USD 465 thousand at 30 June 2006 (31 December 2005: USD 1,050 thousand).

Commitments under the franchise agreement. In December 2005 the Group entered into a franchise agreement with Six Continents Hotels, Inc. (now known as InterContinental) under which the Group will be paying a royalty fee entitling it to rename its Mezhdunarodnaya Hotel the "Crown Plaza Moscow – World Trade Center" and the use of certain other related service marks, trademarks, copyrights and designs. Under the agreement, the Group will pay a one-off fixed amount of USD 228,800 to InterContinental and pay a monthly variable royalty fee which is the greater of a fixed percentage of the Group's gross room revenue or USD 50,000 per year. In addition, the Group will pay a one-off fixed amount of USD 170,000 for technical support. The Group assessed their commitments under the above agreement based on a percentage of estimated gross room revenue.

The estimated commitments under the above agreement up to the end of 2008 are estimated in amount of USD 2,500 thousands.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged and restricted. At 30 June 2007 the Group did not have any assets pledged as collateral.

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Operating environment of the Group. Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

23 Financial Risk Management

Credit risk. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and primarily on credit terms for rental income. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

Market risk. The Group takes on exposure to market risks. Market risks arise from commodity prices and open positions in interest rate, currency and equity financial instruments, all of which are exposed to general and specific market movements.

Foreign exchange risk. The Group maintains USD denominated bank accounts, receives payments in USD from customers as well as invests cash into the short term USD and EUR denominated bank deposits. Foreign currency denominated assets (see Notes 10, 11 and 12) give rise to foreign exchange exposure. Management sets limits on the level of exposure by currency and in total. Compliance with limits is monitored regularly.

Cash flow and fair value interest rate risk. The Group's income and operating cash flows are not exposed to changes in market interest rates. The Group has no significant interest-bearing assets.

Liquidity risk. Prudent liquidity risk management mainly implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, Group Finance Department aims to maintain flexibility in funding by keeping sufficient cash available.

Management prepares annual budgets and quarterly plans and monitors the Group's performance against those budgets. Also, marketing department monitors current market rates and updates plans and prices lists if there are significant fluctuations.

24 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried on the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value. Refer to Note 10.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values.

25 Events after the Balance Sheet Date

There were no significant events which occurred after the balance sheet date.