OJSC MOSTOTREST

Consolidated Financial Statements
for the year ended 31 December 2010

Contents

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

Consolidated Statement of Financial Position

Mln RUB	Note	2010	2009
ASSETS			
Non-current assets			
Goodwill	6	2,404	-
Intangible assets	13	1,846	26
Property, plant and equipment	14	13,099	9,421
Trade and other receivables	19	51	14
Investments in equity accounting investees	6	1,525	-
Other investments	15	316	216
Other non-current assets		-	1,512
Total non-current assets		**19,241**	**11,189**
Current assets			
Inventories	17	3,938	2,473
Income tax receivable		15	1,065
Trade and other receivables	19	6,144	810
Amounts due from customers on construction contracts	18	7,084	3,095
Prepayments	20	13,739	1,103
Other investments	15	869	331
Cash and cash equivalents	21	19,950	4,861
Total current assets		**51,739**	**13,738**
Total assets		**70,980**	**24,927**
EQUITY AND LIABILITIES			
Equity	22		
Share capital		131	131
Additional paid in capital		(68)	-
Reserve for available-for-sale financial assets		141	110
Prepaid shares reserve		6,185	-
Retained earnings		9,940	9,011
Total equity		**16,329**	**9,252**
Long-term liabilities			
Loans and borrowings	24	491	273
Non-controlling interest		1,076	-
Long-term trade and other payables	25	-	306
Deferred income		85	-
Deferred tax liabilities	16	358	356
Total long-term liabilities		**2,010**	**935**
Short-term liabilities			
Loans and borrowings	24	6,184	6,010
Trade and other payables	25	16,394	4,565
Amounts due to customers on construction contracts	18	29,701	3,194
Construction contracts loss provision		-	170
Other provisions		43	112
Deferred income		31	-
Current tax liabilities		288	689
Total short-term liabilities		**52,641**	**14,740**
Total liabilities		**54,651**	**15,675**
Total equity and liabilities		**70,980**	**24,927**

These consolidated financial statements were approved by management on 10 April 2011 and were signed on its behalf by

V.N.Vlasov	O.G.Tanana
General director	*Director of finance*

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 53.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

Consolidated Statement of Comprehensive Income

Mln RUB	**Note**	**2010**	**2009**
Revenue	7	60,279	32,392
Cost of sales	8	(51,284)	(24,211)
Gross profit		8,995	8,181
Other income		222	194
Administrative expenses	9	(4,557)	(3,827)
Other expenses		(949)	(261)
Results from operating activities		3,711	4,287
Finance income	11	111	300
Finance costs	11	(1,341)	(1,116)
Net finance costs		(1,230)	(816)
Share of loss of equity accounted investees, net of income tax	6	(7)	-
Profit before income tax		2,474	3,471
Income tax expense	12	(744)	(867)
Profit for the year		1,730	2,604
Other comprehensive income			
Net change in fair value of available-for-sale financial assets, net of tax	11	31	80
Total comprehensive income		1,761	2,684
Earnings per share			
Basic earnings per share (RUB)	23	7	10
Diluted earnings per share (RUB)	23	7	10

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 53.

Consolidated Statement of Changes in Equity

Mln RUB	Share capital	Additional paid in capital	Reserve for available-for-sale financial assets	Prepaid shares reserve	Retained earnings	Total equity
Balance at 1 January 2009	131	-	30	-	6,807	6,968
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,604	2,604
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	100	-	-	100
Income tax on other comprehensive income	-	-	(20)	-	-	(20)
Total other comprehensive income	-	-	80	-	-	80
Total comprehensive income for the year	-	-	80	-	2,604	2,684
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	-	(400)	(400)
Balance at 31 December 2009	131	-	110	-	9,011	9,252
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,730	1,730
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	39	-	-	39
Income tax on other comprehensive income	-	-	(8)	-	-	(8)
Total other comprehensive income	-	-	31	-	-	31
Total comprehensive income for the year	-	-	31	-	1,730	1,761
Transactions with owners, recorded directly in equity						
Shares issued (net of related expenses)	-	-	-	6,185	-	6,185
Treasury shares acquired	-	(68)	-	-	-	(68)
Dividends to equity holders	-	-	-	-	(801)	(801)
Balance at 31 December 2010	131	(68)	141	6,185	9,940	16,329

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 53.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

Consolidated Statement of Cash Flows

Mln RUB	**2010**	**2009**
Cash flows from operating activities		
Profit for the year	1,730	2,604
Adjustments for:		
Depreciation and amortisation	2,777	1,421
Share of loss of equity accounted investees	7	-
Non-controlling interest	33	-
Loss on disposal of property, plant and equipment	216	33
Net finance cost	1,210	966
Income tax expense	744	867
Cash from operating activities before changes in working capital and provisions	**6,717**	**5,891**
Increase in inventories	(549)	(67)
(Increase)/decrease in trade and other receivables	(1,036)	214
Increase in amounts due from customers on construction contracts	(3,234)	(331)
Increase in prepayments for current assets	(1,098)	(102)
(Decrease)/increase in other liabilities	(108)	8
Decrease in trade and other payables	(914)	(271)
Increase in amounts due to customers on construction contracts	17,617	853
Cash flows from operations before income taxes and interest paid	**17,395**	**6,195**
Income tax paid	(796)	(1,213)
Income tax refund	36	-
Net cash from operating activities	**16,635**	**4,982**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	44	72
Interest received	59	67
Dividends received	44	2
Loans given	(1,414)	(128)
Acquisition of property, plant and equipment	(1,217)	(245)
Acquisition of equity accounting investments	(63)	(1,556)
Acquisition of other investments	(32)	-
Placement of funds on bank deposits	(200)	-
Acquisition of intangible assets	(271)	(24)
Repayment of the loans given	1,051	646
Acquisition of subsidiaries	(1,142)	-
Net cash used in investing activities	**(3,141)**	**(1,166)**
Cash flows from financing activities		
Net proceeds from issuance of shares	6,185	-
Acqusition of treasury shares	(68)	-
Proceeds from borrowings	28,852	9,883
Repayment of borrowings	(30,597)	(12,403)
Payment of finance lease liabilities	(687)	(186)
Interest paid	(1,289)	(1,060)
Dividends paid	(801)	(400)
Net cash from/(used in)financing activities	**1,595**	**(4,166)**
Net increase/(decrease) in cash and cash equivalents	15,089	(350)
Cash and cash equivalents at 1 January	4,861	5,211
Cash and cash equivalents at 31 December	**19,950**	**4,861**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 53.

Notes to the Consolidated Financial Statements

1 Background

(a) Organisation and operations

OJSC Mostotrest (the "Company") and its subsidiaries (the "Group") comprise Russian open joint stock companies (OAO) and limited liability (OOO) companies as defined in the Civil Code of the Russian Federation. The Company was established as a state-owned enterprise in 1930. The Company was privatised as an open joint stock company in December 1992.

The Company's registered office is Myasnitskaya Street 24/7, Bld.3, Moscow, 101990, Russian Federation.

The Group's principal activity is the construction of transport infrastructure items, including railway, highway and city bridges, overpasses, interchanges, and other engineering structures for the state municipal entities. The Group's major customers are government agencies and other public bodies. The Group primarily operates in the European part of the Russian Federation.

The Company's shares are traded under MSTT symbol on the Russian Trading System (RTS) and Moscow Interbank Currency Exchange (MICEX) stock exchanges in Russia.

(b) Business environment

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except:

- items of property, plant and equipment are stated at their fair values as at the date of the first-time adoption of IFRSs;
- financial investments classified as available-for-sale are stated at fair value;

- equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, GosKomStat. Russia ceased to be hyperinflationary for IFRS purposes as of 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

(d) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 14 - fair value as deemed cost of property, plant and equipment;
- Note 18 – construction contracts in progress;
- Note 26(b) – allowances for trade receivables.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 7 – revenue recognition based on the percentage-of-completion method on construction contracts;
- Note 29 – contingencies.

(e) Changes in accounting policies and presentation

With effect from 1 January 2010, the Group changed its accounting policies in the following areas:

- accounting for business combinations
- accounting for revenue from general contractors

Accounting for business combinations

With effect from 1 January 2010, the Group changed its accounting policies with respect to accounting for business combinations.

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

  the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For the measurement of goodwill prior to 1 January 2010, see note 3(f)(i).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies..

(a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2 (e) for further details.

Acquisitions prior to 1 January 2008

In respect of acquisitions prior to 1 January 2008, the Group measures goodwill as the difference between the Company’s interest in a subsidiary’s net identifiable assets on the date of transition and the cost of that interest. Negative goodwill is credited to retained earnings.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity of as equity holders. Therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to RUB at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables, cash and cash equivalents and available-for-sale financial assets.

Loans and receivables

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

Loans and receivables category comprise trade and other receivables as presented in note 19.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with original maturities at initial recognition of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(j)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Available-for-sale financial assets comprise equity securities and debt securities.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be reliably measured, investments are stated at cost less impairment losses.

(ii) Non-derivative financial liabilities

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

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-controlling interest

In accordance with the Law on Limited Liability Companies No. 14-FZ dated 8 February 1998, each participant in a Russian limited liability company is entitled to withdraw from the company and receive the actual value of its participatory share in the company, if the company's charter does not provide for the opposite. Such rights are recognized as a debt instrument and, therefore, profit or loss attributable to minority participants are recognized as finance costs.

(d) Share capital

Ordinary shares

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

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 January 2008, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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

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

	2010	**2009**
Buildings and structures	23	25
Machinery and equipment	7	6
Vehicles	7	6
Other PPE	4	2

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

(f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note,see note 2(e).

Acquisitions prior to 1 January 2008

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2008. In respect of acquisitions prior to 1 January 2008, goodwill represents the difference between the Company's interest in a subsidiary's net identifiable assets on the date of transition and the cost of that interest.

Acquisitions between 1 January 2008 and 1 January 2010

There were no acquisitions between 1 January 2008 and 1 January 2010.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets are as follows:

- Construction contracts 1.5 years
- Software 3 – 5 years

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

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(h) Inventories

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

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

(i) Amounts due from/ to customers on construction contracts

Amounts due from customers on construction contracts represent the amount of construction contracts in progress less consideration received by the Group for works already performed. Amounts due from customers are presented separately in the statement of financial position for all contracts in which costs incurred plus recognised profits and losses exceeds consideration received.

If the consideration received for works performed to date exceeds costs incurred plus recognised profits and losses, then the difference is presented as Due to customers on construction contracts in the statement of financial position.

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

(j) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

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

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(l) Provisions

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

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Revenue

(i) Construction contracts

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

The stage of completion is assessed by reference to the share of the costs incurred to date in the total estimated contract costs. The contract costs that relate to future activity on the contract are excluded from costs incurred to date in determining the stage of completion (deferred recognition) and recognized as inventories.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Revenue from general contractor services

For certain operations the Group undertakes to perform general contractor services. In this type of contracts being the general contractor, the Group acts as a principal, and, therefore, recognizes revenue from ultimate customer and the related cost incurred from the subcontractrs on gross basis.

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Other revenue

Revenue from other activities is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(n) Other expenses

(i) Lease payments

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

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(o) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and contingent consideration, losses on disposal of available-for-sale financial assets, and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

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

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

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

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

(s) New Standards and Interpretations early adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these consolidated financial statements. The following new Standards, amendments to Standards and Interpretations may potentially impact the the Group's financial position or performance. The Group plans to adopt these pronouncements when they become effective.

- Amended IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognised in their entirety or where the assets are derecognised in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace

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

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2011. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Intangible assets

The fair value of construction contracts acquired in a business combination is based on the discounted cash flows expected to be derived from the benefits of these contracts.

(c) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

(a) Information about reportable segments

At 31 December 2010 the Group had 17 segments (2009: 15 operating segments), as described below, which are the Group's strategic business units. During the first half of 2010 the Group acquired two new subsidiaries, OOO Engtransstroy Corporation and OOO Transstroymekhanizaciya, which have become two additional operating segments.

The strategic business units, including the newly acquired subsidiaries, are managed separately as they are located in different regions, operate different construction projects and require different technology strategies. Each segment represents a separate legal entity or branch of the Company. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The information about the location of each reportable segment is summarized below:

Segment	Short name	Management location
Mostotryad -4	MO-4	Moscow
Mostotryad -1	MO-1	Nizhny Novgorod
Mostotryad -6	MO-6	Yaroslavl
Mostotryad -10	MO-10	Rostov-On-Don
Mostotryad -114	MO-114	Moscow
Mostotryad -90	MO-90	Dmitrov
Mostotryad -81	MO-81	Voronezh
Mostotryad -99	MO-99	Serpukhov
OOO Engtransstroy Corporation	ETS	Moscow
OOO Transstroymechanizatsiya	TSM	Moscow
Other segments	Other	-

Other segments include 7 operating segments that were combined into one reportable segment due to their size.

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

Mln RUB	External revenues		Inter-segment revenue		Total revenue		Profit before tax		Reportable segment net profit		Inventories	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
MO-4	4,901	4,794	-	-	4,901	4,794	1,324	1,555	982	1,206	359	346
MO-1	3,731	4,732	-	-	3,731	4,732	534	830	408	647	320	221
MO-6	3,357	3,563	-	-	3,357	3,563	6	494	(64)	388	205	252
MO-10	4,131	3,561	-	-	4,131	3,561	249	371	102	225	299	261
MO-114	3,216	2,473	-	-	3,216	2,473	752	311	529	346	349	274
MO-90	3,600	2,263	-	-	3,600	2,263	1,027	607	774	465	323	155
MO-81	852	1,909	-	-	852	1,909	(106)	48	(113)	14	116	94
MO-99	2,402	1,082	-	-	2,402	1,082	475	176	367	136	149	109
Other	2,960	5,110	1,220	904	4,180	6,014	(9)	(477)	(191)	(418)	667	616
Total Mostotrest	29,150	29,487	1,220	904	30,370	30,391	4,252	3,915	2,794	3,009	2,787	2,328
ETS	22,529	-	374	-	22,903	-	132	-	142	-	40	-
TSM	6,021	-	4,832	-	10,853	-	219	-	125	-	568	-
Total	57,700	29,487	6,426	904	64,126	30,391	4,603	3,915	3,061	3,009	3,395	2,328

Mln RUB	2010	2009
Revenues		
Total revenue for reportable segments	64,126	30,391
Timing difference in revenue recognition	(838)	(944)
Unallocated amounts	3,417	3,849
Elimination of inter-segment revenue	(6,426)	(904)
Consolidated revenue	60,279	32,392
Profit before tax		
Total profit before tax for reportable segments	4,603	3,915
Timing difference in revenue recognition	(838)	(944)
Other adjustments	(1,195)	(109)
Unallocated amounts	(96)	609
Consolidated profit before tax	2,474	3,471

Major customers

In 2010, revenue from two customers of the Group's individually exceeded 10% of the Group’s revenues (2009: no customers individually exceeded 10% of revenues). Revenue from one of the customers accounted for RUB 10,825 mln (or 18% of the Group’s revenues) and is included in segments ETS and MO-114. The other customer contributed RUB 8,275 mln RUB (or 14% of the Group’s revenues) and is included in MO-1 and MO-114 segments.

6 Acquisitions of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

On 13 May 2010 the Group obtained control of OOO Transstroymechanizatsiya (“TSM”), the company engaged in the construction and renovation of highways and airports with its own facilities for production of asphalt and concrete, by acquiring 50.1% of equity interest for a consideration of RUB 1,264 mln, paid in cash.

On 28 June 2010 the Group obtained control over OOO Engtransstroy Corporation (“ETS”), a design and engineering company operating in the infrastructure construction industry, by acquiring 51% of equity interest for a consideration of RUB 2,220 mln, paid in cash.

The acquisitions were made to expand geographical market and enter new market segments of construction industry including the highway and airports infrastructure facilities construction segments. This diversification was also an important step to fulfill the strategic goal of the Group to develop into the leading construction company in Russia.

From the date of acquisition to 31 December 2010 OOO Transstroymechanizatsiya contributed revenue of RUB 6,021 mln and profit of RUB 125 mln.

From the date of acquisition to 31 December 2010 OOO Engtransstroy Corporation contributed revenue of RUB 22,529 mln and profit of RUB 142 mln.

If the acquisitions had occurred on 1 January 2010 management estimates that the Group’s consolidated revenue would have been RUB 74,879 mln and the Group’s consolidated profit for the period would have been RUB 1,043 mln. In determining these amounts management has assumed that the fair value adjustments determined previously that arouse on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

Identifiable assets acquired and liabilities assumed

The identifiable assets acquired and the liabilities of OOO Transstroymekhanizaciya and OOO Engtransstroy Corporation assumed were as follows:

Mln RUB	**TSM**	**ETS**	**Total**
Property, plant and equipment	3,060	720	3,780
Intangible assets	583	1,818	2,401
Other non-current assets	371	88	459
Amounts due from customers for the construction contracts, trade and other receivables	2,012	2,768	4,780
Amounts due to customers, trade and other payables	(6,073)	(15,178)	(21,251)
Other current assets / liabilities, net	902	11,930	12,832
Long-term liabilities	(554)	(324)	(878)
Net identifiable assets, liabilities and contingent liabilities	301	1,822	2,123
Non-controlling interest	(150)	(893)	(1,043)
Acquirer's share in net identifiable assets	151	929	1,080
Goodwill on acquisition	1,113	1,291	2,404
Consideration paid	1,264	2,220	3,484
Cash acquired	(306)	(2,036)	(2,342)
Net cash outflow	958	184	1,142

Goodwill

Goodwill has been recognized as a result of the acquisitions as follows:

Mln RUB	**TSM**	**ETS**	**Total**
Total consideration transferred	1,264	2,220	3,484
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	150	893	1,043
Less value of identifiable assets	(301)	(1,822)	(2,123)
Goodwill	1,113	1,291	2,404

Goodwill is attributable mainly to the synergies expected to be achieved from integration of the acquired companies into the Group's business.

There were no impairment of goodwill from the dates of acquisition of subsidiaries till the reporting date because the consideration paid to acquire the subsidiaries, adjusted for disposal costs and any changes in value arising from factors since the acquisitions, provide the best evidence of the subsidiaries' fair value less costs to sell during the period and the acquisitions were made during that period.

(b) Acquisition of non-controlling interests

On 16 February 2010 the Group acquired a 25.002% interest in OAO Mostostroy-11 for a consideration of RUB 1,575 mln paid in cash. The entity is a bridge-construction entity located in the West-Siberian region of the Russian Federation.

The following summarizes the effect of this acquisition:

Mln RUB	**OAO Mostostroy-11**
Company's ownership interest at the beginning of the period	-
Effect of increase in Company's ownership interest	1,575
Share of comprehensive income	(7)
Dividends	(43)
Company's ownership interest at the end of the period	1,525

Assets and liabilities of the company at the acquisition date were as follows:

	OAO Mostostroy 11	
Mln RUB	**2010**	**date of acquisition**
Non-current assets	5,523	5,968
Current assets	4,271	3,131
Long-term liabilities	(889)	(914)
Short-term liabilities	(3,473)	(2,550)
Net identifiable assets, liabilities and contingent liabilities	5,432	5,635
Acquirer's interest in net identifiable assets and liabilities	1,359	1,409
Goodwill on acquisition	166	166
Consideration paid	-	1,575
Carrying amount of investments in equity accounting investees	1,525	1,575
Revenue	7,978	-
Loss for the period	(30)	-

7 Revenue

Mln RUB	**2010**	**2009**
Revenue from construction contracts:		
bridges and highways	38,412	23,678
railway infrastructure facilities	10,766	2,984
airport infrastucture facilities	5,304	-
other infrastructure facilities	2,050	3,026
ports and in-land water infrastructure facilities	804	-
other facilities	1,550	2,286
Total revenue from construction contracts	58,886	31,974
Other revenue	1,393	418
Total revenue	60,279	32,392

Below is the information on the geographical allocation of revenues from construction contracts. In presenting the information on the basis of geographical information, revenue is based on the geographical location of construction sites:

Mln RUB	2010	2009
Southerm Federal District	23,036	5,958
Central Federal District	19,518	19,914
Northwestern Federal District	6,921	622
Volga Federal District	3,382	4,724
Siberian Federal District	3,141	756
Far Eastern Federal District	2,888	-
Total revenue from construction contracts	58,886	31,974

8 Cost of sales

Mln RUB	2010	2009
Services of subcontractors	23,013	6,799
Materials	11,474	6,277
Personnel expenses	7,171	4,784
Depreciation and amortisation	2,665	1,409
Machinery, equipment, transport, and labor services	2,935	1,054
Fuel	712	405
Services of principal contractors	640	465
Insurance	566	104
Other	2,108	2,914
	51,284	24,211

9 Administrative expenses

Mln RUB	2010	2009
Personnel expenses	2,417	2,098
Consulting and audit services	496	518
Social expenses	330	173
Taxes other than income tax	154	126
Charity	121	103
Materials	109	136
Rent expense	104	19
Depreciation and amortisation	112	16
Bank fees	67	92
Other administrative expenses	647	546
	4,557	3,827

10 Personnel costs

Mln RUB	2010	2009
Wages and salaries	8,010	5,873
Contributions to State pension fund	1,429	945
Unused vacation provision	149	64
	9,588	6,882

11 Finance income and finance costs

Mln RUB	2010	2009
Recognised in profit or loss:		
Foreign exchange gain	13	150
Interest income on bank deposits	51	56
Interest income on loans given	31	92
Dividend income from available-for-sale financial assets	13	2
Interest income on finance leases	3	-
Finance income	111	300
Interest expense on borrowings	(1,138)	(1,045)
Interest expense on finance leases	(170)	(71)
Non controlling interest	(33)	-
Finance costs	(1,341)	(1,116)
Net finance costs recognized in profit or loss	(1,230)	(816)

Mln RUB	2010	2009
Recognised in other comprehensive income:		
Net change in fair value of available-for-sale financial assets	39	100
Income tax on income and expense recognised in other comprehensive income	(8)	(20)
Finance income recognised in other comprehensive income, net of tax	31	80

12 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2009: 20%).

Mln RUB	2010	2009
Current tax expense		
Current year	1,216	1,080
Adjustments of prior years tax	48	27
	1,264	1,107
Deferred tax expense		
Origination and reversal of temporary differences	(520)	(240)
Total income tax expense recognised in profit or loss	744	867
Income tax recognised in other comprehensive income	(8)	(20)
Total income tax expense	736	847

Reconciliation of effective tax rate:

	2010		2009	
	Mln RUB	**%**	**Mln RUB**	**%**
Profit before income tax	2,474	100%	3,471	100%
Income tax at applicable tax rate	495	20%	694	20%
Non-deductible expenses	255	10%	167	5%
Non-taxable income	(54)	(2%)	(21)	(1%)
Underprovided in prior years	48	2%	27	1%
	744	30%	867	25%

13 Intangible assets

Million RUB	Construction contracts	Software	Total
Actual cost			
Balance at 1 January 2009	-	8	8
Additions	-	25	25
Balance at 31 December 2009	-	33	33
Additions	-	271	271
Acquisitions through business combinations	2,399	2	2,401
Balance at 31 December 2010	2,399	306	2,705
Amortisation and impairment losses			
Balance at 1 January 2009	-	3	3
Amortisation for the year	-	4	4
Balance at 31 December 2009	-	7	7
Amortisation for the year	830	22	852
Balance at 31 December 2010	830	29	859
Carrying amounts			
At 1 January 2009	-	5	5
At 31 December 2009	-	26	26
At 31 December 2010	1,569	277	1,846

14 Property, plant and equipment

Mln RUB	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or deemed cost							
Balance at 1 January 2009	305	4,393	4,248	2,071	425	135	11,577
Additions	7	38	269	30	53	107	504
Disposals	-	(17)	(52)	(30)	(159)	(38)	(296)
Balance at 31 December 2009	312	4,414	4,465	2,071	319	204	11,785
Additions	2	259	671	791	253	303	2,279
Acquisitions through business combinations	-	319	1,481	1,677	149	154	3,780
Disposals	(1)	(52)	(210)	(228)	(177)	(19)	(687)
Transfers	-	274	33	13	7	(327)	-
Balance at 31 December 2010	313	5,214	6,440	4,324	551	315	17,157
Depreciation and impairment losses							
Balance at 1 January 2009	-	163	589	362	22	-	1,136
Depreciation for the year	-	173	750	322	182	-	1,427
Impairment loss	-	-	(7)	(1)	-	-	(8)
Disposals	-	(1)	(14)	(18)	(158)	-	(191)
Balance at 31 December 2009	-	335	1,318	665	46	-	2,364
Depreciation for the year	-	224	917	628	156	-	1,925
Impairment loss	-	-	(4)	-	-	-	(4)
Disposals	-	(14)	(35)	(56)	(122)	-	(227)
Balance at 31 December 2010	-	545	2,196	1,237	80	-	4,058
Carrying amounts	-	-	-	-	-	-	-
Balance at 1 January 2009	305	4,230	3,659	1,709	403	135	10,441
Balance at 1 January 2010	312	4,079	3,147	1,406	273	204	9,421
Balance at 31 December 2010	313	4,669	4,244	3,087	471	315	13,099

Depreciation expense of RUB 1,835 mln (2009: RUB 1,409 mln) has been charged to cost of goods sold, RUB 90 mln (2009: RUB 12 mln) to administrative expenses, and RUB 0 mln (2009: RUB 6 mln) to work-in-progress.

(a) Security

At 31 December 2009 properties, plant, equipment with a carrying amount of RUB 389 mln were pledged to secure bank loans (see note 24). No assets were pledged at 31 December 2010.

(b) Leased machinery and equipment

The Group leases production equipment under a number of finance lease agreements. Certain leases provide the Group with the option to purchase the equipment at a beneficial price. At 31 December 2010 the net book value of leased plant and machinery was RUB 2,852 mln (2009: RUB 623 mln). The leased equipment secures lease obligations.

15 Other investments

Mln RUB	**2010**	**2009**
Loans given	717	351
Available-for-sale investments	268	196
Deposits with maturities more than 3 months	200	-
	1,185	547
Non-current	316	216
Current	869	331
	1,185	547

Available-for-sale investments comprise equity instruments of financial institutions that are mainly listed either on the RTS or MICEX stock exchanges. The fair value of available-for-sale equity investments was determined by reference to their quoted market prices.

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Mln RUB	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	-	-	(1,347)	(1,067)	(1,347)	(1,067)
Intangible assets	-	-	(314)	-	(314)	-
Investments	-	21	(25)	-	(25)	21
Inventories	261	4	(50)	-	211	4
Trade and other receivables	146	-	(5)	(5)	141	(5)
Construction contracts (including due from and due to customers)	926	668	(13)	-	913	668
Loans and borrowings	8	70	(148)	-	(140)	70
Trade and other paybles	57	-	-	-	57	-
Provisions	54	-	-	(1)	54	(1)
Other	114	-	(26)	(47)	88	(47)
Tax loss carry-forwards	4	1	-	-	4	1
Tax assets/(liabilities)	1,570	764	(1,928)	(1,120)	(358)	(356)
Net tax assets/(liabilities)	1,570	764	(1,928)	(1,120)	(358)	(356)

(b) Unrecognised deferred tax liability

A temporary difference of RUB 699 mln (31 December 2009: RUB 2 mln) related to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

(c) Movement in temporary differences during the year

Mln RUB	1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2009
Property, plant and equipment	(1,249)	182	-	(1,067)
Investments	1	-	20	21
Inventories	32	(28)	-	4
Trade and other receivables	(77)	72	-	(5)
Construction contracts (including due from and due to customers)	650	18	-	668
Loans and borrowings	115	(45)	-	70
Provisions	(3)	2	-	(1)
Other	(86)	39	-	(47)
Tax loss carry-forwards	1	-	-	1
	(616)	240	20	(356)

Mln RUB	1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition through business	31 December 2010
Property, plant and equipment	(1,067)	148	-	(428)	(1,347)
Intangible assets	-	166	-	(480)	(314)
Investments	21	(38)	(8)	-	(25)
Inventories	4	-	-	207	211
Trade and other receivables	(5)	130	-	16	141
Construction contracts (including due from and due to customers)	668	(25)	-	270	913
Trade and other payables	-	26	-	31	57
Loans and borrowings	70	(77)	-	(133)	(140)
Provisions	(1)	51	-	4	54
Other	(47)	136	-	(1)	88
Tax loss carry-forwards	1	3	-	-	4
	(356)	520	(8)	(514)	(358)

17 Inventories

Mln RUB	2010	2009
Construction materials	3,772	2,426
Work in progress	139	47
Finished goods and goods for resale	27	-
	3,938	2,473

Inventories with a carrying amount of RUB 1,496 mln (2009: RUB 919 mln) are pledged to secure loans and borrowings (see Note 24).

18 Construction contracts in progress

Mln RUB	**2010**	**2009**
Progress billings	105,412	83,894
Billed in excess of contract revenue recognized	(1,905)	(902)
Contract revenue accumulated to the period end	103,507	82,992
Contract costs accumulated to the period end	(87,066)	(68,156)
Expected losses recognised accumulated to the period end	-	(170)
Recognised profits less recognised losses	16,441	14,666
Contract revenue accumulated to the period end	103,507	82,992
Advances received	(29,467)	(2,107)
Payments	(91,369)	(80,984)
Net receivables from/(payables to) customers of acquired subsidiaries	(5,288)	-
Net receivables from/(payables to) customers	(22,617)	(99)
Due from customers	7,084	3,095
Due to customers	(29,701)	(3,194)
	(22,617)	(99)
Retentions	558	351

The retentions on construction contracts in the amount of RUB 558 mln as at 31 December 2010 (31 December 2009: RUB 351 mln) are measured at the fair value of the consideration receivable based on the expected timing of cash inflows. Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.

Cash inflows from one of the construction contracts in the amout of RUB 250 mln as at 31 December 2009 were pledged as collateral for a bank loan (see Note 24). No such rights were pledged as at 31 December 2010.

19 Trade and other receivables

Mln RUB	**2010**	**2009**
Trade receivables	1,004	390
Taxes other than income tax	10	176
VAT recoverable on purcheses	119	52
VAT on advances from customers	4,776	-
Other receivables	286	206
	6,195	824
Non-current	51	14
Current	6,144	810
	6,195	824

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in notes 26(b) and 26(d)(i).

20 Prepayments

Prepayments primarily consist of advances paid to subcontractors for work to be performed under the construction contracts of the Group.

21 Cash and cash equivalents

Mln RUB	2010	2009
Petty cash	1	1
Cash at banks	4,582	685
Bank deposits with maturities less than 3 months	15,367	4,175
	19,950	4,861

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

22 Capital and reserves

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares	
	2010	2009
Authorised shares	282,215,500	1,241,200
Par value	0.14 RUB	28 RUB
On issue at 1 January	1,241,200	1,241,200
Effect of split of shares 200 for 1	246,998,800	-
On issue after share split	248,240,000	-
Issued for cash	33,975,500	-
Acquired for cash	(484,400)	-
On issue at 31 December, fully paid	281,731,100	1,241,200

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The share capital of RUB 35 mln was formed prior to 31 December 2002, when the Russian economy was considered to be hyperinflationary for IFRS purposes. Therefore the share capital was adjusted for the effect of hyperinflation by RUB 96 mln as at 31 December 2002. As a result, the carrying value of the share capital amounted to RUB 131 mln since that date.

On 30 June 2010 the General Meeting of the shareholders approved the split of the Company's outstanding shares in the ratio of 200 for 1 and additional issue of up to 248,240,000 ordinary shares with par value of RUB 0.14 each.

On 2 September 2010 the Federal Commission for the Securities Market registered the split of the Company's outstanding shares in the ratio of 200 for 1. As a result, the number of outstanding shares after the split amounted to 248,240,000 with the par value of RUB 0.14 per share.

During the period from 9 November to 9 December 2010 the Company issued 33,975,500 additional ordinary shares with the par value of RUB 0.14 per share for a consideration of RUB 193/USD 6.25 per share by way of an open subscription under Russian law.

The changes in the Company's Charter relating to additional issue of shares were registered in January 2011 resulting in an increase of the share capital by RUB 5 mln. The difference between the consideration received of RUB 6,185 mln and the par value of the shares issued of RUB 6,180 mln will be recognized as additional paid in capital in 2011 and will effect the calculation of earnings per share commencing January 2011.

During the same period the Company redeemed 484,400 ordinary shares for cash consideration of RUB 68 mln. The difference of RUB 68 mln between par value of the treasury shares and consideration paid was recorded in retained earnings.

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2010 the Company had retained earnings, including the profit for the current year, of RUB 9,250 mln (2009: RUB 7,335 mln).

In 2010 the amount of dividends accrued and paid was RUB 801 mln, or RUB 3.23 per share (2009: RUB 400 mln, or RUB 1.61 per share).

23 Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to the ordinary shareholders of RUB 1,730 mln (2009: RUB 2,604 mln), and a weighted average number of ordinary shares outstanding of 248,199,633 (2009: 248,240,000), calculated as shown below. The Company does not have dilutive potential ordinary shares.

	2010	**2009**
Issued shares at 1 January	1,241,200	1,241,200
Effect of split shares in September 2010	246,998,800	246,998,800
Effect of redemption of own shares	(40,367)	-
Weighted average number of shares for the year ended 31 December	248,199,633	248,240,000
Profit attributed to shareholders (mln RUB)	1,730	2,604
Basic and diluted earnings per share (RUB)	7	10

24 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

Mln RUB	2010	2009
Short-term liabilities		
Secured bank loans	700	5,040
Unsecured bank loans	4,914	805
Current portion of finance lease liabilities	570	165
	6,184	6,010
Long-term liabilities		
Unsecured bank loans	-	208
Finance lease liabilities	491	65
	491	273
Total loans and borrowings	**6,675**	**6,283**

Terms of repayment of long-term bank loans are as follows:

Mln RUB	2010	2009
Between 1 and 2 years	-	208
	-	208

Finance lease liabilities are payable as follows:

Mln RUB	Future minimum lease payments	Interest	Present value of minimum lease payments
2009			
Less than one year	203	38	165
Between 1 and 5 years	77	12	65
	280	50	230
2010			
Less than one year	705	135	570
Between 1 and 5 years	551	60	491
	1,256	195	1,061

The carrying amount and fair value of loans and borrowings were as follows:

2010 **Mln RUB**	**Face value**	**Carrying amount**
Secured bank loans	700	700
Unsecured bank loans	4,914	4,914
Finance lease liabilities	1,256	1,061
Total	**6,870**	**6,675**

2009 **Mln RUB**	**Face value**	**Carrying amount**
Secured bank loans	5,040	5,040
Unsecured bank loans	1,013	1,013
Finance lease liabilities	280	230
Total	**6,333**	**6,283**

The carrying amounts of substantially all of the Group's loans and borrowings are denominated in RUB.

The bank loans are attracted in RUB under fixed and floating interest rates based primarily on the MosPrime 3M rate. The weighted-average effective interest rates at the reporting date were as follows:

	2010	**2009**
Bank loans	7.74%	13.6%
Finance lease liabilities	20.74%	14.2%

The outstanding bank loans for total amount of RUB 700 mln (2009: RUB 3,133 mln) are secured by the following:

- Property, plant and equipment with the carrying amount of RUB 0 mln (2009: RUB 389 mln), see Note 14(a);
- Inventories with the carrying amount of RUB 1,496 mln (2009: RUB 919 mln), see Note 17;
- Revenue on the construction contracts RUB 0 mln (2009: RUB 250 mln), see Note 18.

Finance lease liabilities are secured by the leased assets, see Note 14.

25 Trade and other payables

Mln RUB	**2010**	**2009**
Trade payables	9,186	3,294
Payables to personnel	674	622
Taxes payable other then income tax	3,781	754
VAT on advances to suppliers	1,499	-
Other payables and accrued expenses	1,254	201
	16,394	4,871
Long-term	-	306
Short-term	16,394	4,565
	16,394	4,871

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26(d)(i) and 26(c).

26 Financial instruments and risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(b) Credit risk

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. There is no concentration of credit risk geographically or with respect to sales transactions with a single customer.

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

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the management, and future sales are made on a prepayment basis with approval of the management.

As a result of the deteriorating economic conditions in 2009 and 2010, certain purchase limits have been redefined, since the Group's experience is that the economic downturn has had a greater impact in these business segments than in the Group's other business segments.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2010 and 2009 no guarantees were outstanding.

(iv) Exposure to credit risk

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

	Carrying amount	
Mln RUB	**2010**	**2009**
Available-for-sale financial assets	268	196
Amounts due from customers on construction contracts	7,084	3,095
Loans and receivables	2,007	947
Deposits with maturities more than 3 months	200	-
Cash and cash equivalents	19,950	4,861
	29,509	9,099

Impairment losses

The aging of trade and other receivables and amounts due from customers for constraction contracts at the reporting date was:

Mln RUB	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Trade and other receivables				
Not past due	1,070	(126)	543	(75)
Past due 0-183 days	307	(8)	98	(17)
Past due more than 183 days	429	(382)	172	(125)
Amounts due from customers on construction contracts				
Not past due	7,126	(42)	3,095	-
	8,932	(558)	3,908	(217)

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 183 days; the main portion of the trade receivables balance relates to customers that have a good track record with the Group.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2010 and 2009 the Group did not have any collective impairment on its trade receivables or its held-to-maturity investments.

In addition, the majority of the balance of construction in progress due from customers (note 18) is from government agencies and other public bodies, therefore, there is a concentration of credit risk with such type of customers.

(c) Liquidity risk

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

The Group maintains several lines of credit with large banks operating in Russia.

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

2010

Mln RUB	**Carrying amount**	**Contractual cash flows**	**0-6 mth**	**6-12 mth**	**1-2 yrs**	**2-3 yrs**	**over 3 yrs**
Non-derivative financial liabilities							
Bank loans	5,614	5,782	3,912	1,870	-	-	-
Finance lease liabilities	1,061	1,256	353	352	358	183	10
Trade payables	9,186	9,186	6,870	2,316	-	-	-
	15,861	16,224	11,135	4,538	358	183	10

2009

Mln RUB	**Carrying amount**	**Contractual cash flows**	**0-6 mth**	**6-12 mth**	**1-2 yrs**	**2-3 yrs**	**over 3 yrs**
Non-derivative financial liabilities							
Bank loans	6,053	6,670	688	5,714	27	27	214
Finance lease liabilities	230	280	105	98	71	6	-
Trade payables	3,294	3,294	1,572	1,006	371	342	3
	9,577	10,244	2,365	6,818	469	375	217

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on finance leases, purchases of machinery and equipment, and short-term deposits with banks (with maturities of less than 3 months) that are denominated in a currency other than the RUB.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUB. This provides an economic hedge without a need to enter into derivatives contracts.

Exposure to currency risk

As at 31 December 2010 and 2009 the Group was not exposed to significant currency risks.

(ii) Interest rate risk

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

Profile

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

	Carrying amount	
Mln RUB	**2010**	**2009**
Fixed rate instruments		
Financial assets	917	351
Financial liabilities	(3,263)	(6,283)
	(2,346)	(5,932)
Variable rate instruments		
Financial liabilities	(3,412)	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no material impact on equity and profit or loss of the Group.

(iii) Other market price risk

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

The majority of the Group's equity investments are listed either on the RTS or MICEX stock exchanges. For such investments, classified as instruments available for sale, an increase of the RTS index or MICEX index by 5% at the reporting date, would lead to an increase in shareholders' equity of RUB 9 mln after tax (2009: increase by RUB 7 mln); similar reduction in these indices would lead to a decrease in shareholders' equity of 9 mln after tax (2009: decrease of RUB 7 mln. Such sensitivity analysis of the fair value reflects the sensitivity of each equity instrument to the appropriate market index.

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities as at the reporting dates were not significantly different from their carrying amounts. The basis for determining fair values is disclosed in note 4. Inputs for the valuation of the available-for-sale financial assets are primarily based on the observable market data (hierarchy level 1).

(f) Capital management

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

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Mln RUB	2010	2009
Less than 1 year	133	63
From 1 to 5 years	147	165
More than 5 years	763	196
	1,043	424

The Group leases a number of land plots, warehouses and production equipment under operating leases. The leases typically run for an initial period of 5 to 49 years for land plots, one to two years for production equipment and other property, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

Since the title to land plots and other property does not pass to the Group, the lease payments are regularly revised based on the market rates, and the Group does not have an interest in the residual value of the leased property, all the risks and rewards incidential to ownership these assets remain with the lessor. As such, the Group classified these leases as operating leases.

During the year ended 31 December 2010 an amount of RUB 319 mln was recognised as an expense in profit or loss in respect of operating leases (2009: RUB 65 mln).

28 Capital commitments

As at 31 December 2010 and 2009 the Group did not have significant contractual obligations to purchase property, plant and equipment.

29 Contingencies

(a) Insurance

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

The Group is responsible for the violation of the Law on Urban Planning, including for causing injury to life, health or property of third parties as a result of conducting construction works or defects in construction, renovation, overhaul of capital construction assets. The Group will also be held responsible for accidental loss of or damage to property being constructed. In order to reduce the risk of losses and obligations to third parties as a consequence of conducting construction works, the Group has obtained full insurance coverage against civil liabilities arising under the construction contracts in accordance with the terms of these contracts.

(b) Warranties

The Group has certain warranty obligations under construction contracts terms of which range from one to seven years. The Group performed analysis of historical data on actual compensations paid and defects rectified under these warranties for the past seven years. Based on this analysis, the Group concluded that the probability of the constructions works carried out during the reporting period will not satisfy the quality conditions specified in the contract and require repair, is low. Therefore the Group did not recognize a warranty liability on construction contracts as at the reporting date.

The retentions held by customers under the construction contracts are usually returned in full.

(c) Litigation

As at 31 December 2010 and 2009 the Group was not engaged in litigations, the outcome of which might have material effect on the consolidated financial statements.

(d) Taxation contingencies

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

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

Tax compliance of the Group's suppliers

The Group regularly enters into transactions with various suppliers. These entities are fully responsible for their own tax and accounting compliance. However, due to existing tax authorities' practice, if these entities' tax compliance is challenged by the tax authorities as not being in full conformity with the applicable tax legislation, this may result in additional tax risks for the Group. Should these suppliers be successfully challenged, the Group may become liable to additional tax payments, although management of these entities is primarily responsible for the correctness and timeliness of the entities' tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of potential tax liabilities, which ultimately could be imposed on the Group due to transactions with suppliers. However, if such liabilities were imposed, the amounts involved, including penalties and interest, could be material.

If the cases described above were successfully challenged by the Russian tax authorities, the additional payments could become due together with penalties, ranging from 20% - 40% of the amount of underpaid taxes, and late-payment interest. Management has not provided any amounts in respect of such obligations in these consolidated financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

30 Related party transactions

(a) Control relationships

During 2010 Marc O'Polo Investments Ltd (Cyprus) lost control over the Company as a result of additional shares issued by the Company for free float. As at 31 December 2010 the Mostotrest's shareholder structure was as follows:

- 38.9% - Marc O'Polo Investments
- 26.5% - Blagosostoyanie Pension Fund
- 34.6% - free-float.

(i) Management remuneration

During 2010 key management received remunaration amounted to RUB 627 mln (2009: RUB 786 mln) that is included in personnel costs.

During the reporting period there were no other material transactions conducted with key management personnel and their close family members.

(b) Transactions with other related parties

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

(i) Sales

Mln RUB	**Transaction value**		**Outstanding balance**	
	2010	**2009**	**2010**	**2009**
Sale of goods to:				
Investments in equity accounted investees	114	-	-	-
Other related parties	120	10	37	5
Services rendered to:				
Investments in equity accounted investees	301	-	177	-
Other related parties	563	11	1,949	12
	1,098	21	2,163	17

(ii) Purchases

Mln RUB	Transaction value		Outstanding balance	
	2010	2009	2010	2009
Purchase of goods from:				
Other related parties	575	572	39	12
Services received from:				
Investments in equity accounted investees	108	-	8	-
Other related parties	7,707	225	2,284	49
	8,390	797	2,331	61

Purchases of goods and services from related parties mainly consist of purchases from companies related to shareholders of the Group and minority participants of subsidiaries.

(iii) Loans

Mln RUB	Transaction value		Outstanding balance	
	2010	2009	2010	2009
Promissory notes:				
Other related parties	815	-	-	-
Loans given:				
Other related parties	50	-	100	-
	865	-	100	-

The loans given to the related parties and outstanding as at 31 December 2010 are repayable in 2011. The loans bear interest at 7.8%-10.3% per annum. Interest income on these loans for 2010 amounted to RUB 2 mln (2009: RUB 0 mln).

Mln RUB	Transaction value		Outstanding balance	
	2010	2009	2010	2009
Loans received:				
Other related parties	6,111	2,000	650	1,000
	6,111	2,000	650	1,000

The loans received from the related parties and outstanding as at 31 December 2010 are repayable in 2011. The loans bear interest at 9% and 9.5% per annum. Interest expense on these loans for 2010 amounted to RUB 392 mln (2009: RUB 104 mln).

31 Group entities

Subsidiary	Country of incorporation	Ownership interest	
		2010	2009
OOO "Engtransstroy Corporation"	Russia	51%	-
OOO "Transstroymechanizatsiya"	Russia	50.1%	-
OOO "Taganka Most"	Russia	100%	100%
OOO "Mostotrest SPB"	Russia	-	100%
OOO "Sledyashie test-Systemy"	Russia	51%	51%

32 Events subsequent to the reporting date

The changes in the Company’s Charter relating to additional issue of shares were registered in January 2011 resulting in an increase of the share capital by RUB 5 mln.

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Independent Auditors' Report

Board of Directors

OJSC Mostotrest

We have audited the accompanying consolidated financial statements of OJSC Mostotrest (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of (consolidated) financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

We did not observe the counting of inventories stated at RUR 2,406 million as at 1 January 2009 because we were engaged as auditors of the Group only after that date. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been found necessary in respect of the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2009. Our opinion on the consolidated financial statements as at for the year ended 31 December 2009 dated 31 August 2010 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures as at and for the year ended 31 December 2009 and the possible effects on the comparability of the current year's figures of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
10 April 2011