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The Directors
MirLand Development Corporation plc (formerly: Bastwick Investment Limited)
Thessalonikis Street
Nicolaou Pentadromos Centre
10th floor, office 1002
Limassol 3025
Cyprus

13 December 2006

Dear Sirs,

MirLand Development Corporation plc

We report on the consolidated financial information for the period ended 31 December 2005, set out in pages 168 to 189 of this document (the "Financial Information"). Our report does not extend to the unaudited financial information in respect of the nine-month period ended 30 September 2006 and the period ended 30 September 2005 and we express no opinion in respect of that financial information. The Financial Information has been prepared for inclusion in the AIM admission document of MirLand Development Corporation plc on the basis of the accounting policies set out in Note 2 to the Financial Information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of MirLand Development Corporation plc are responsible for preparing the Financial Information on the basis of preparation set out in Note 2 to the Financial Information.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Financial Information gives, for the purposes of the AIM admission document dated 13 December 2006, a true and fair view of the state of affairs of MirLand Development Corporation plc (formerly: Bastwick Investments Limited) and its subsidiaries as at the date stated and of its profits, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in Note 2 to the Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Nine months ended 30 September 2006	Period from 10 November 2004 *) to 30 September 2005	Period from 10 November 2004 *) to 31 December 2005
		(Unaudited)		(Audited)
		US dollars in thousands (except earnings per share)		
Rental income from investment property		2,485	167	732
Revenues from management fees		276	-	-
Fair value adjustments of investment properties	11	37,527	-	4,114
Total income		40,288	167	4,846
Expenses				
Operating expenses	6	(623)	(104)	(168)
General and administrative expenses	7	(5,950)	(196)	(1,162)
Financial costs, net	8	(408)	(70)	(148)
Profit (loss) before tax expense		33,307	(203)	3,368
Tax expense	9	(2,188)	(130)	(368)
Profit (loss) for the period		31,119	(333)	3,000
Basic and diluted earnings (loss) per share	10	0.65	(0.45)	0.72

*) Date of inception. See Note 2a.

The accompanying notes are an integral part of the financial information.

CONSOLIDATED BALANCE SHEETS

	Note	30 September 2006 (Unaudited)	31 December 2005 (Audited)
		US dollars in thousands	
ASSETS			
NON-CURRENT ASSETS			
Investment properties	11	65,709	12,863
Investment properties under construction	12	25,486	11,358
Inventories of land	13	69,224	24,736
Option for the acquisition of investment property	14	1,600	-
Loan receivable	15	6,437	-
Equipment	16	358	104
Long-term receivables and prepayments	17	4,557	-
		173,371	49,061
CURRENT ASSETS			
Trade and other receivables	18	1,644	204
Loan to related party	20	3,151	-
Cash and cash equivalents		5,908	664
		10,703	868
Total assets		184,074	49,929
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the parent:			
Share capital	19	18	7
Capital reserves		7,397	3,717
Retained earnings		34,119	3,000
Currency translation reserve		2,150	(95)
		43,684	6,629
Minority interest		25	25
Total equity		43,709	6,654
LONG-TERM LIABILITIES			
Long-term loans from shareholders	20	112,192	39,564
Long-term loans from banks	22	15,082	-
Other long-term liability	23	5,080	582
Deferred taxes	9	3,266	301
		135,620	40,447
CURRENT LIABILITIES			
Short-term loan from affiliated company	20	-	460
Income tax payable		752	57
Accounts payable and accruals	21	3,993	2,311
		4,745	2,828
Total liabilities		140,365	43,275
Total equity and liabilities		184,074	49,929

The accompanying notes are an integral part of the financial information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total recognised income and expenses	
	Share capital	Capital reserves	Retained earnings (accumulated deficit)	Currency translation reserve	Total	Minority interest	Total equity	Parent	Minority
	US dollars in thousands								
Adjustment in respect of pooling (see Note 4)	-	2,530	-	-	2,530	-	2,530	-	-
Loss for the period	-	-	(333)	-	(333)	-	(333)	(333)	-
Foreign currency translation adjustments	-	-	-	(21)	(21)	-	(21)	(21)	-
At 30 September 2005 (unaudited)	(*) -	2,530	(333)	(21)	2,176	-	2,176	(354)	-
Issuance of shares	7	-	-	-	7	-	7	-	-
Adjustment in respect of pooling (see Note 4)	-	3,717	-	-	3,717	-	3,717	-	-
Profit for the period	-	-	3,000	-	3,000	-	3,000	3,000	-
Foreign currency translation adjustments	-	-	-	(95)	(95)	-	(95)	(95)	-
Minority interest upon acquisition of subsidiary	-	-	-	-	-	25	25	-	-
At 31 December 2005 (audited)	7	3,717	3,000	(95)	6,629	25	6,654	2,905	-
Issuance of shares	11	3,680	-	-	3,691	-	3,691	-	-
Profit for the period	-	-	31,119	-	31,119	-	31,119	31,119	-
Foreign currency translation adjustments	-	-	-	2,245	2,245	-	2,245	2,245	-
At 30 September 2006 (unaudited)	18	7,397	34,119	2,150	43,684	25	43,709	33,364	-

(*) See Note 19.
The accompanying notes are an integral part of the financial information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September 2006	Period from 10 November 2004 *) to 30 September 2005	Period from 10 November 2004 *) to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Cash flows from operating activities:			
Profit (loss) for the period before tax	33,307	(203)	3,368
Adjustments for:			
Interest payable	423	148	284
Fair value adjustments of investment properties	(37,527)	-	(4,114)
Depreciation of equipment	4	-	4
Profit on sale of investment property	-	-	(2)
Increase in trade and other receivables	(5,787)	(786)	(176)
Increase in accounts payable and accruals	4,994	839	352
Income taxes paid	(54)	-	(8)
Net cash flows provided by (used in) operating activities	(4,640)	(2)	(292)
Cash flows from investing activities:			
Loan to unrelated party (see Note 15)	(6,437)	-	-
Prepayments	(2,315)	-	-
Purchase of equipment	(245)	-	(106)
Purchase of investment properties	(5,731)	(3,647)	(825)
Purchase of investment properties under construction	(8,581)	-	(9,332)
Interest capitalized in investment properties under construction	(4,049)	(271)	(1,220)
Purchase of inventories of land	(39,279)	-	(24,700)
Purchase of option (see Note 14)	(1,600)	-	-
Payment of amount due in respect of purchase of subsidiaries	(300)	-	-
Net proceeds from disposal of investment property	-	-	(46)
Acquisition of subsidiaries, net of cash acquired	(5,959)	(7,766)	(7,766)
Net cash flows used in investing activities	(74,496)	(11,684)	(43,995)
Cash flows from financing activities:			
Proceeds from issuance of shares by the Company	3,691	-	7
Proceeds from issuance of shares by subsidiaries included in pooling	-	2,450	3,063
Proceeds (repayment) of short-term borrowings from/to related parties	(460)	-	460
Proceeds from long-term borrowings from related parties	81,245	11,477	39,696
Net cash flows provided by financing activities	84,476	13,927	43,226
Net increase (decrease) in cash and cash equivalents	5,340	2,241	(1,061)
Net foreign exchange differences on cash and cash equivalents	(96)	558	1,725
Cash and cash equivalents at beginning of period	664	-	-
Cash and cash equivalents at end of period	5,908	2,799	664
Non cash transactions:			
Payables included for investment properties under construction	693	-	843
Acquisition of subsidiaries accounted for under the pooling method (Note 4)	-	100	654

*) Date of inception. See Note 2a.

The accompanying notes are an integral part of the financial information.

NOTE 1:- GENERAL

MirLand Development Corporation plc (formerly: Bastwick Investments Limited) ("the Company") was incorporated in Cyprus on 10 November 2004 under the Cyprus Companies Law, Cap. 113 as a private company limited by shares. Its registered office is located at Thessalonikis Street, Nicolaou Pentadromos Centre, 10th floor, office 1002, Limassol 3025, Cyprus.

The principal activities of the Company and its subsidiaries ("the Group") are real estate investment and development in Russia.

Following are the shareholders of the Company as of 30 September 2006, subsequent to the transactions described in Note 4:

Shareholder		Rate of holding
Jerusalem Economic Corporation Ltd. ("JEC") (a company traded on the Tel-Aviv Stock Exchange)	-	40%
Industrial Buildings Corporation Ltd. ("IBC") (65%-owned subsidiary of JEC and traded on the Tel-Aviv Stock Exchange)	-	40%
Darban Ltd. (a company traded on the Tel-Aviv Stock Exchange)	-	20%

All of the above shareholders are companies that are controlled, directly and indirectly, by the Fishman Group.

The financial statements of the Company were authorised for issue in accordance with a resolution of the directors on xx December 2006.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The consolidated financial information has been prepared on a historical cost basis, except for investment properties which are measured at fair value.

The consolidated financial information is presented in US dollars and all amounts are rounded to the nearest thousand ($ 000) except when otherwise indicated.

The activities of the Company for the period from the date of inception (10 November 2004) to 31 December 2004 were immaterial, and therefore, the statements of operations, changes in equity and cash flows for that period have not been separately presented.

The consolidated financial information for the nine months ended 30 September 2006 and for the period ended 30 September 2005 have been prepared in accordance with IAS 34, "Interim Financial Reporting".

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Statement of compliance:

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS).

c. Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising therefrom, are eliminated.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

d. Foreign currency translation:

The consolidated financial statements are presented in US dollars which are the Company's functional and presentation currency. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are remeasured into the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rate of at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences are taken to profit or loss.

As at the reporting date, the assets and the liabilities of the subsidiaries are translated into US dollars according to the exchange rate prevailing at the balance sheet date and income and expense items are translated into US dollars at the weighted average exchange rate for the period. The exchange differences arising on the translation are taken directly to a separate component of equity ("currency translation reserve"). Such translation differences are recognised in the income statement in the period in which the entity is disposed of.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Below is data regarding the representative exchange rates of the Russian Rouble, which is the functional currency of the Russian subsidiaries of the Company:

	Representative exchange rate of the Russian Rouble for US$ 1
As of:	
30 September 2006	26.75
30 September 2005	28.50
31 December 2005	28.79
31 December 2004	27.75
	%
Change during the period:	
Nine months ended 30 September 2006	(7.01)
10 November 2004 - 30 September 2005	2.7
10 November 2004 - 31 December 2005	3.75

e. Business combinations:

Business combinations in accordance with IFRS 3 are accounted for using the purchase method. On acquisition, the identifiable assets and liabilities are measured at their fair value on the date of acquisition. Any excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the acquisition, a gain is recognised immediately in the income statement.

The interest of minority shareholders is stated at the minority's proportion of the fair value of the assets and any liabilities recognised. Subsequently, any profits or losses applicable to the minority shareholders are attributed to the minority interests in the statements of income and changes in equity.

f. Acquisition of businesses from companies under common control:

The acquisition of businesses from companies under the Company's control are not business combinations within the scope of IFRS3. The Company accounts for these acquisitions in accordance with the pooling of interests methods. Accordingly, the consolidated financial statements have been respectively adjusted to reflect the acquisitions as if they had occurred at the beginning of the earliest period presented. Thus, the consolidated financial statements comprise the consolidated financial position, results of operations and cash flows of the Company and of the companies acquired. For those companies that were acquired by the Company under common control subsequent to the beginning of the earliest period presented, the financial statements reflect the acquisitions of those companies from the dates those companies were acquired by the Company under common control.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Investment properties:

Properties held for long-term rental, for capital appreciation or both, and that are not occupied by the Company are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair value of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of contribution or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

h. Option for acquisition of investment property:

An option to purchase shares of a company whose sole asset is undeveloped land (investment property) is treated as an option to purchase a non-financial asset which is recorded at cost. Subsequent to the exercise of the option and the acquisition of the property, such property will be accounted for as investment property.

i. Jointly controlled entity:

The Group recognises its interest in a jointly controlled entity using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its consolidated financial statements. The financial statements of the jointly controlled entity are prepared for the same reporting year as the Company, using consistent accounting policies.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Equipment:

Equipment is stated at cost less accumulated depreciation and provisions for impairment. Depreciation is calculated on a straight-line basis, over the estimated useful life of the equipment (five years).

k. Impairment of assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

l. Trade and other receivables:

Trade receivables are recognised and carried at original amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is recorded when collection of the amount is no longer probable.

m. Cash and cash equivalents:

Cash equivalents include short-term deposits with an original maturity of three months or less.

n. Interest-bearing loans and borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

o. Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Leases:

Leases where the Group is the lessor and retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income.

Where the Group is the lessee, operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

q. Taxes:

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences; and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

r. Borrowing costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (investment property) are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

s. Earnings per share:

Basic and diluted earnings per share amounts are calculated by dividing net profit and loss for the period by the weighted average number of Ordinary shares outstanding during the period.

The number of Ordinary shares outstanding is retrospectively adjusted for a pooling of interests and in the event of a bonus issue or share split, including those changes that occur subsequent to the balance sheet date but before the financial statements are authorised for issue.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Estimation uncertainty:

The preparation of financial statements in accordance with IFRS requires estimates and assumptions by the Company's management that affect the reported amounts of assets and liabilities. In particular, the assumptions used in the revaluation of investment properties to fair value are inherently subjective due to the individual nature of each property. As a result, such revaluations are subject to uncertainty and actual results could differ from the estimates.

u. IFRSs and IFRIC interpretations not yet effective:

The Company has not early adopted IFRSs and IFRIC interpretations that have been issued but are not effective as of 31 December 2005. Management expects that adoption of those pronouncements will not have a material impact on the financial position and results of operations of the Company in the period of initial application.

NOTE 3:- BUSINESS COMBINATIONS

a. In June 2005, the Company acquired "Hydromashservice LLC." for a consideration of US$ 8,950 thousand. Hydromashservice is a private company based in Russia which owns a commercial rental property in Moscow. The carrying value and the fair value of the identifiable assets and liabilities of Hydromashservice at the date of acquisition is as follows:

	Fair value	Carrying value
	US dollars in thousands	
Investment property	8,980	1,076
Receivables	43	43
Cash and cash equivalents	34	34
Payables	(107)	(107)
Net assets	8,950	1,046
Cash paid	7,800	
Amount due	1,150	
	8,950	

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

b. In February 2006, the Company acquired "Mashinostroenie & Hydravlika OJSC" ("MAG") for a consideration of US$ 6,431 thousand, of which US $ 400 thousand is to be paid in four equal annual installments commencing in July 2006. MAG is a private company based in Russia which owns a commercial rental property in Moscow. The carrying value and the fair value of the identifiable assets and liabilities of MAG at the date of acquisition (presented in present values) is as follows:

	Fair value	Carrying value
	US dollars in thousands	
Investment property	6,239	462
Receivables	1,326	-
Cash and cash equivalents	72	72
Payables	(840)	(840)
Deferred tax	(436)	(436)
Net assets (liabilities)	6,361	(742)
Cash paid	6,031	
Amount due (at present value)	330	
	6,361	

The financial statements of MAG were initially consolidated in the reported period. The net profits of MAG included in the consolidated statements of operations, for the period from February 2006 to September 2006 amounted to US$ 20,796 thousand. The effect on profit and loss of the Company had the acquisition of MAG been effected on 1 January 2006, is immaterial.

NOTE 4:- ACQUISITION OF BUSINESS FROM COMPANIES UNDER COMMON CONTROL

On 1 April 2006, the Company, then wholly owned by JEC, signed an agreement with JEC, IBC and Darban, companies under common control, pursuant to which shares of the Company would be issued to IBC and Darban in consideration for cash and businesses such that JEC would own 40%, IBC would own 40% and Darban would own 20% of the Company's shares. The closing of the agreement was subject to receipt of various approvals, including the approval of shareholders of the companies under common control.

On 30 September 2006, following the receipt of all necessary approvals and pursuant to the above agreement, Darban invested approximately US$ 2,869 thousand in the Company's equity, in consideration for the issuance of 3,555 Ordinary shares of the Company. Also, in accordance with the agreement, IBC, in consideration for the issuance of 7,110 Ordinary shares of the Company, invested approximately US$ 822 thousand in cash and transferred to the Company its holdings in four companies that represented its business activities in Russia. The parties to the agreement also contributed shareholder loans pro rata to their ownership interests in the Company.

NOTE 4:- ACQUISITION OF BUSINESS FROM COMPANIES UNDER COMMON CONTROL (CONT.)

The details of the four companies acquired by the Company from IBC are as follows:

Name of company	Rate of holding	Business activities	Date on which the companies were acquired by IBC
Creative Com LLC.	100%	Owns undeveloped land in Perkhuskovo, Moscow, intended for construction of 97 vacation homes (see also Note 24h);	October 2005
Inverton Enterprises Limited.	49% (*)	Mall under construction in Yaroslavl.	March 2005
Mall Project Co. Limited.	90%(**)	Property under construction in Saratov, intended for construction of a mall.	October 2005
Petra8 LLC.	100%	Owns land in St. Petersburg, intended for construction of residential apartments and commercial centre.	February 2006

(*) Jointly controlled entity - see Note 5.
(**) See also Note 24i.

As this transaction represents the acquisition of businesses from companies under common control, the Company accounted for the transaction in accordance with the pooling of interests method (see Note 2f).

On 13 September 2006, as part of the above transactions, the Company acquired from IBC and Hechevra Lepituach Hamlacha Ltd. the share capital of Felixtowe Holdings Ltd. for US$ 1,600 thousand in cash (cost of the option deposit referred to in Note 14).

On 13 September 2006, as part of the above transactions, the Company acquired from IBC and Hechevra Lepituach Hamlacha Ltd. the share capital of Dunchoille Holdings Ltd. for US$ 10 thousand. As of the balance sheet date, this company has no activity.

NOTE 5:- JOINTLY CONTROLLED ENTITY

The Company acquired a 49% interest in Inverton Enterprises Limited (see Note 4), a jointly controlled entity which is consolidated in the Company's financial statements using the proportionate consolidation method.

The Company's share of assets and liabilities of the entity included in the consolidated balance sheets are as follows:

	30 September 2006	31 December 2005
	US dollars in thousands	
Current assets	2,004	58
Non-current assets	21,588	3,643
Current liabilities	1,138	234
Non-current liabilities	18,966	3,447

The Company's share of income and expenses included in the consolidated statements of operations:

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Expenses	-	-	265

NOTE 6:- OPERATING EXPENSES

Maintenance of property (1)	377	66	102
Land lease payments	71	21	36
Fee to management company	32	17	30
Salaries	143	-	-
	623	104	168
(1) Including maintenance of managed buildings	221	-	-

NOTE 7:- GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Office maintenance	277	15	133
Professional fees	738	122	336
Salaries	101	13	16
Depreciation of equipment	4	-	4
Write-down of advance on account of investment (1)	129	-	-
Provision to service provider (see Note 23)	4,462	-	581
Other costs	239	46	92
	5,950	196	1,162

(1) The Company paid US$ 129 thousand as an advance on account of investment in a Russian company, which owns land in Nijnii Novgorod. The advance is not refundable. Subsequent to the balance sheet date, the Company decided to cease the negotiations concerning the purchase of the Russian company. Therefore, the advance on account of investment was written off in the nine months ended 30 September 2006.

NOTE 8:- FINANCIAL COSTS, NET

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Total interest cost	4,049	271	1,220
Less - amounts capitalised to properties under construction	(3,626)	(123)	(936)
Interest cost	423	148	284
Other (principally exchange rate differences)	(15)	(78)	(136)
	408	70	148

NOTE 9:- TAXATION

a. Tax expense:

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Current taxes	57	-	9
Deferred taxes	2,131	130	359
Charge to statement of operations	2,188	130	368

b. A reconciliation between the tax expense in the statements of operations and the product of accounting profit (loss) multiplied by the current tax rate can be explained as follows:

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Profit (loss) before tax expense	33,307	(203)	3,368
Tax at the statutory tax rate in Cyprus (10%)	3,318	(18)	369
Increase (decrease) in respect of:			
Temporary differences in respect of which no deferred tax was recorded (*)	(7,934)	-	(847)
Effect of different tax rate in Russia (24%)	4,628		494
Effect of change in tax law in Russia	1,289	-	-
Losses for which deferred tax assets were not recorded	761	149	208
Other	126	(1)	144
Income tax expense	2,188	130	368

(*) The fair value adjustments of the investment properties result in a temporary difference between the carrying value of the properties and their tax basis. Since it is the intention of management to sell the companies holding these properties rather than the properties themselves, deferred taxes on the above differences have not been recorded.

NOTE 9:- TAXATION (Cont.)

Taxation in Russia

The taxation of companies under the Russian Federation is as follows:

Income tax - 24% of profits;
VAT - 18% of sales;
Asset tax - 2.2% of the net book value of fixed assets.

Taxation in Cyprus

The taxation of companies in Cyprus is based on tax residence and all companies are taxed at the rate of 10%. A special levy of 10% is also imposed on interest received and deemed interest income in certain cases. Dividend income and profits from the sale of shares and other titles of companies are exempt from taxation. There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividend to shareholders that are physical persons resident in Cyprus are subject to a 15% withholding tax.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. A special levy at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special levy is payable for the account of the shareholders.

c. Deferred taxes:

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	US dollars in thousands	
Opening balance	301	-
Additions upon acquisitions of subsidiaries	436	-
Charge to the statements of operations	2,131	359
Exchange rate differences	398	(58)
Closing balance	3,266	301

NOTE 10:- EARNINGS PER SHARE

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	Number of shares		
Weighted average number of Ordinary shares used for computing basic and diluted earnings per share (*)	47,935,801	734,278	4,191,659

(*) Retrospectively adjusted for the pooling of interests (see Note 4) and for the share subdivision subsequent to balance sheet date (see Note 19).

NOTE 11:- INVESTMENT PROPERTIES

	US dollars in thousands
At 10 November 2004	-
Additions from acquisition of subsidiary	8,980
Additions for the period	825
Disposals for the period	(44)
Fair value adjustment	4,114
Exchange rate differences	(1,012)
At 31 December 2005 (audited)	12,863
Addition from acquisition of subsidiaries	6,239
Additions for the period	5,731
Fair value adjustments	37,527
Exchange rate differences	3,349
At 30 September 2006 (unaudited)	65,709

The investment properties are stated at fair value, which has been determined based on valuations performed by independent appraiser (Cushman & Wakefield Stiles & Riabokobylko and Cushman & Wakefield). The fair value represents the amount at which the assets could be exchanged between a willing buyer and willing seller in an arm's length transaction at the date of valuation, after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion, in accordance with International Valuation Standards. The valuations are based on the income approach. In the case of completed and operating buildings, this approach involves a direct capitalisation of the net income and, in respect of buildings under renovation, a discounted cash flow analysis.

NOTE 11:- INVESTMENT PROPERTIES (Cont.)

The fair value adjustments of the investment properties result in a temporary difference between the carrying value of the properties and their tax basis. Since it is the intention of management to sell the companies holding these properties rather than the properties themselves, deferred taxes on the above differences have not been recorded. However, the fair values of the properties have been reduced in 2006 and 2005 by US$ 17,202 thousand and US$ 3,442 thousand, respectively, to reflect the fair values of the deferred tax liabilities that the Company would transfer to a buyer upon the sale of the companies owning the properties. The reduction was calculated based on the 24% income tax rate in Russia. Company management believes that the actual amount of the reduction might be substantially lower due to economic benefits that the buyer will be entitled to, based upon the differences arising from the method of disposal, i.e. direct asset sale or share sale

Regarding MAG land lease, see Note 24g.

NOTE 12:- INVESTMENT PROPERTIES UNDER CONSTRUCTION

	US dollars in thousands
At 10 November 2004	-
Additions for the period	11,395
Exchange rate differences	(37)
At 31 December 2005 (audited)	11,358
Additions for the period	13,323
Exchange rate differences	805
At 30 September 2006 (unaudited)	25,486

Investment properties under construction are presented at cost. These assets were acquired in a transaction with companies under common control that took place on 30 September 2006. The acquisitions were reflected in the financial statements from the date the properties were acquired by IBC (see Note 4).

NOTE 13:- INVENTORIES OF LAND

	US dollars in thousands
At 10 November 2004	-
Additions for the period	24,700
Exchange rate differences	36
At 31 December 2005 (audited)	24,736
Additions for the period	39,279
Exchange rate differences	5,209
At 30 September 2006 (unaudited)	69,224

Inventories of land are intended for construction of residential apartments and vacation homes that are to be sold, and are presented at cost. These assets were acquired as part of the transaction that took place on 30 September 2006 (see Note 4). The acquisitions were reflected in the financial statements from the date the properties were acquired by IBC (see Note 4).

NOTE 14:- OPTION FOR THE ACQUISITION OF INVESTMENT PROPERTY

As of 30 September 2006, in consideration of a non refundable option deposit of US$ 1,600 thousand, a subsidiary of the Company had an option, exercisable on or before 15 February 2007, to enter into a framework agreement relating to the purchase of the entire issued share capital of:

(i) Gasconade Limited, which owns 58% of the issued share capital of RealService LLC ("RealService"), in consideration of US$ 13,000 thousand less any liabilities and the amount of the option paid; and

(ii) 42% of the entire issued share capital of RealService, in consideration of US$ 9,000 thousand payable in installments on the satisfaction of certain key milestones set out in the option agreement. RealService has a 100% interest in a plot of land near Moscow. The option was refundable in the event of default of the grantor of the option.

The parties also agreed that they would negotiate and enter into a service agreement between RealService and a Russian entity (or entities) nominated by the seller within the master agreement ("the Service Provider"), pursuant to which the Service Provider would assist RealService in connection with obtaining a new lease of the property, the construction of a parking complex on the property, the procurement of a construction permit and the representation of RealService's interests before any governmental authorities and third parties. In consideration of such services, RealService will pay the Service Provider US$ 1,282 thousand, payable in installments, and reimburse any expenses incurred by the Service Provider in the performance of its duties under the service agreement, up to a maximum of US$ 6.5 million. Any additional expenses must be submitted to RealService for prior approval, provided RealService does not unreasonably delay or withhold such approval, such additional expenses not, under any circumstances, to exceed US$ 1.5 million.

NOTE 14:- OPTION FOR THE ACQUISITION OF INVESTMENT PROPERTY (Cont.)

An option to purchase shares of a company whose sole asset is undeveloped land (investment property) is treated as an option to purchase a non-financial asset which is recorded at cost. Subsequent to the exercise of the option and the acquisition of the property, such property will be accounted for as investment property.

The option was exercised after the balance sheet date, see Note 26e.

NOTE 15:- LOAN RECEIVABLE

As of 30 September 2006, the Company, together with an unrelated party, had each provided a loan amounting to US$ 6,437 thousand to a company that owns the freehold interest in land intended for the development of a mixed-use trade and business park ("the Russian company"), located in the Leninsky district, close to the Moscow Circular Motorway. According to the conditions of the loan, there is no obligation as of 30 September 2006 to purchase the Russian company. Subsequent to the balance sheet date, in October 2006, the Company and the other party acquired the Russian company - see Note 26a.

NOTE 16:- EQUIPMENT, NET

	US dollars in thousands
At 10 November 2004, net of accumulated depreciation	-
Additions for the period	106
Depreciation for the period	(4)
Exchange rate differences	2
At 31 December 2005, net of accumulated depreciation (audited)	104
Additions for the period from acquisition of subsidiaries	245
Depreciation for the period	(4)
Exchange rate differences	13
At 30 September 2006, net of accumulated depreciation (unaudited)	358
At 31 December 2005 (audited)	
Cost	108
Accumulated depreciation	(4)
Net carrying value	104
At 30 September 2006 (unaudited)	
Cost	366
Accumulated depreciation	(8)
Net carrying value	358

NOTE 17:- LONG-TERM RECEIVABLES

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	US dollars in thousands	
Long-term receivables (1)	2,242	-
Prepayments (2)	2,315	-
	4,557	-

(1) Comprise VAT of approximately US$ 2.2 million, which was paid upon the purchase of land and which the Company expects to recover more than 12 months from the balance sheet date.

(2) Represent prepayment of approximately US$ 2.3 million in May 2006 to the seller of MAG for registration services to extend the use of property owned by MAG (see Note 24i).

NOTE 18:- TRADE AND OTHER RECEIVABLES

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	US dollars in thousands	
Trade receivables	298	5
Government authorities	585	193
Other	761	6
	1,644	204

NOTE 19:- SHARE CAPITAL

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	Number of shares	
Authorised, issued and fully paid shares of US$ 1 par value each	17,775	7,110

The Company was incorporated with an issued share capital of CYP 5,000, divided into 5,000 Ordinary shares of CYP 1 par value each. On 10 October 2005, the Company's authorised share capital was subdivided into 7,110 Ordinary shares of US$ 1 par value each and was paid. On 12 August 2006, the share capital was increased to US$ 17,775 divided into 17,775 Ordinary shares of US$ 1 par value each.

NOTE 19:- SHARE CAPITAL (Cont.)

On 10 October 2006, each share of the Company's authorised share capital was subdivided into 100 Ordinary shares of US$ 0.01 par value each, resulting in a total of 1,777,500 Ordinary shares. On the same date, the Company's authorised share capital was increased from US$ 17,775 to US$ 700,000 divided into 70,000,000 Ordinary shares of US$ 0.01 par value each. In addition, the issued and fully paid share capital was increased from US$ 17,775 to US$ 700,000 through a transfer from capital reserves.

On 19 November 2006, the authorised share capital was increased from US$ 700,000 divided into 70,000,000 Ordinary shares of US$ 0.01 par value each, to US$ 1,200,000 divided into 120,000,000 Ordinary shares of US$ 0.01 par value each.

See Note 26c regarding the issuance of Ordinary shares subsequent to balance sheet date.

Dividend policy

The Company intends to adopt a dividend policy which will reflect the long-term earnings and cash flow potential of the Company, taking into account the Company's capital requirements, while at the same time maintaining an appropriate level of dividend cover. Subject to these factors, and where it is otherwise appropriate to do so, the Company intends to declare a dividend of 2% of the Adjusted NAV on Admission (taking into account the net proceeds of the Placing) for the financial year 2008, and 7% of the Adjusted NAV on Admission (taking into account the net proceeds of the Placing) for the financial year 2009, with a view to increasing the dividend in line with the Company's cash flow growth in the future.

Employees share scheme

The Company has one share option plan, the Share Option Scheme, which was adopted by the Company on 19 November 2006 ("the Adoption Date"). On Admission (see Note 26f), options to purchase 3,368,984 Ordinary shares will be granted under the Share Option Scheme ("Options") of which 748,663 options will vest immediately. The exercise price of the Options will be equivalent to the price in the proposed placing of the Ordinary shares.

The remaining unvested Options will vest over three years from the Adoption Date, in equal tranches prom the anniversary of the Adoption Date.

NOTE 20:- RELATED PARTIES

a. Transactions with related parties:

	Nine months ended 30 September 2006	Period from 10 November 2004 to 30 September 2005	Period from 10 November 2004 to 31 December 2005
	(Unaudited)		(Audited)
	US dollars in thousands		
Interest expense to shareholders (*)	4,049	271	1,220
Interest expense to affiliated company	-	-	12
Fee to management company	32	17	30
Rental income	28	-	-
(*) Includes amounts capitalized	3,626	123	936

b. Balances with related parties:

1. Loans from related parties:

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	US dollars in thousands	
Loans from shareholders	112,192	39,564
Short-term loan from affiliated company	-	460
	112,192	40,024

Terms and conditions of loans:

As of 30 September 2006, the loans from shareholders bear interest at an annual rate of LIBOR + 1.2%. Regarding repayment and conversion of the loans after the balance sheet date, see Notes 26b and c.

2. Short-term loan to related party:

The balance at 30 September 2006 in the amount of US$ 3,151 thousand is due from a subsidiary of IBC. The balance does not bear interest. The loan was collected in November 2006.

c. For details of agreements with related parties - see Note 24.

NOTE 21:- ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2006	31 December 2005
	(Unaudited)	(Audited)
	US dollars in thousands	
Trade payables	2,332	932
Rent received in advance	433	181
Payment due on account of purchase of subsidiary (Note 3)	1,180	1,150
Accrued expenses and other payables	48	48
	3,993	2,311

NOTE 22:- LONG-TERM LOANS FROM BANKS

The loans bear interest at an annual rate of 12%.

The long-term loan is repayable in the following years starting 2008:

	US dollars in thousands
2008	3,771
2009	3,771
2010	3,770
2011	3,770
	15,082

NOTE 23:- OTHER LONG-TERM LIABILITY

Other long-term liability:

	US dollars in thousands
At 10 November 2004:	
Provision to service provider	581
Exchange rate differences	1
	582
At 31 December 2005 (audited):	
Provision to service provider	4,462
Exchange rate differences	36
At 30 September 2006 (unaudited)	5,080

NOTE 23:- OTHER LONG-TERM LIABILITY (Cont.)

According to the management services agreement between MAG, Hydroashservice LLC ("the companies") and FIN LLC ("the service provider"), the service provider shall be entitled to receive a one-time payment equal to 10% of the net profit (as defined below) of the companies from the sale of properties , if they are sold to a third party.

The net profit in relation to these properties is calculated as: the price of the property paid by the third party, less any expenses that the companies incurred as a result of such sale, less repayments of any external debt of the companies, and only after the balance of any outstanding shareholder loans plus an annual interest of 10% have been repaid in full to the relevant shareholder and/or repayment of any other third party financing relating to said property. The amounts paid for the acquisition of the companies at the date of acquisition and thereafter will be treated as shareholders loans to the Company for the purposes therein.

The company has accounted for this payment as an interest in the profits of MAG. Accordingly, a liability measured at fair value has been recorded based on the fair value of the properties as recorded in the financial statements at each balance sheet date.

NOTE 24:- COMMITMENTS AND CONTINGENCIES

a. Group as lessee:

The subsidiaries of the Company entered into agreements for the lease of land. These operating leases have terms of between four years and 20 years with a renewal option. One lease has a provision for rent review.

Future minimum lease payments are as follows:

	US dollars in thousands
First year	163
After one year but no more than five years	493
More than five years	1,055
Total	1,711

b. Group as lessor:

A subsidiary of the Company entered into agreements for the sublease of properties to a related party for a term of up to 18 months, with a renewal option. Future minimum lease payments to the Group are as follows:

NOTE 24:- COMMITMENTS AND CONTINGENCIES (Cont.)

	US dollars in thousands
First year	868
After one year but no more than five years	192
Total	1,060

c. The Company's subsidiary, Hydromashservice LLC ("Hydro") and FIN LLC ("FIN") have entered into a management service agreement. The controlling shareholder of FIN is also employed as the managing director of Hydro. The agreement commenced on 1 July 2005 and is for an indefinite period. Either party may terminate the agreement without cause at any time upon providing the other party with advance written notice of a minimum of three months. FIN agreed to advise Hydro on potential investment transactions and provide management and maintenance services.

d. A management agreement dated 10 February 2006 was signed between the Company's 90% owned subsidiary, "Invetisionno-Ipotechnaya Co" ("IIK") (a subsidiary of Mall Project Co. Limited) and Norman Project LLC ("Norman"). Norman agreed to assume the authority of the sole executive body of IIK in consideration of which IIK agreed to pay Norman US$ 20 thousand, payable in 8 installments by 1 October 2007. Norman will continue to perform its functions under the agreement after full payment of the consideration until the completion of the construction project in Saratov. The agreement is for an indefinite period and may be terminated by mutual agreement of both parties. Either party may terminate the agreement at its discretion by providing prior written notice to the other party.

e. A management agreement dated 31 August 2006 was signed between the Company's joint venture investment (a subsidiary of Inverton Enterprises Limited.), Global 1 LLC ("Global 1") and Norman. Under the agreement, Global 1 transferred all powers of its sole executive body to Norman and provided that Norman may exercise control over the operation of Global 1, Norman is entitled to a management fee of US$ 200 thousand, payable in eight equal monthly installments from 1 September 2006 to 1 April 2007. The agreement ends on 31 August 2009 but may be terminated earlier by mutual agreement.

f. A consultancy service agreement dated 1 August 2005 was signed between Global 1 and Norman (acting as consultant) pursuant to which Norman undertook to provide consulting services to Global 1 in relation to the land plot bordered by M-8 Moscos-Kholmogory shosse, Kalinina Street, Yaroslavl-Ivanovo highway and Kostromskoye Shosse in the Yarolslavl region in consideration of the Rouble equivalent of approximately US$ 700 thousand. The agreement expires on the performance in full by the parties of their obligations under the agreement.

g. MAG's land lease expired on 6 May 2006, and a new lease was signed by the Company and the City of Moscow on 29 September 2006. The new land lease is in the process of registration. According to the Company's legal advisor, as of the balance sheet date, the registration of the lease is only a technical process and should not affect the value of the asset.

NOTE 24:- COMMITMENTS AND CONTINGENCIES (Cont.)

h. The Company intends to sign an agreement at the beginning of 2007, according to which the managing director of Hydro is entitled to receive 2% of the net sales price arising on the sale of the completed vacation homes in Perkhuskovo, Moscow plus, depending on the sale price per square metre, 7% of the amount over certain benchmark sales prices.

i. The Company provided a loan to its subsidiary, Mall Project Co. Limited as of 31 December 2005 and 30 September 2006 in the amount US$ 3,447 thousand and US$ 6,214 thousand, respectively, for the financing of the acquisition of the property under development in Saratov. According to the shareholders' agreement, the minority shareholders in Mall Project Co. Limited will be entitled to receive rights in its shares subsequent to the repayment of the loan and the accrued interest.

j. A consultancy service agreement dated 16 March 2006 was signed between IIK and NAM (acting as consultant) pursuant to which NAM undertook to provide consulting services to IIK in relation to the land plot located at Zarubina Street, Saratov, in consideration of the Rouble equivalent of US$ 1,085,101 excluding VAT. The agreement expires on the performance in full by the parties of their obligations under the agreement.

k. A management agreement dated 7 February 2006 was signed between MAG and the sellers of MAG ("the service providers"), pursuant to which the service providers undertook in relation to the land in Moscow owned by Hydro and MAG, to facilitate the entry into a new lease in relation to a new land plot, the application of change in the permitted use and obtaining the state registration of MAG's title to the land. In consideration of the services, MAG has paid the service providers approximately US$ 2.3 million and is obligated to pay approximately US$ 2.8 million. The service providers have undertaken to repay the initial payment if they fail to meet their obligations under the agreement.

l. As of 30 September 2006, the Company has outstanding contractual commitments for construction of investment property amounting to the Rouble equivalent of approximately US$ 6.3 million.

m. Taxation environment:

Russia currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include VAT, income tax, unified social tax, together with others. The government's policy on implementation of these regulations is often inconsistent or nonexistent. Accordingly, few precedents with regard to tax rulings have been established. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Russia that are more significant than typically found in countries with more developed tax systems. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year. Management believes that it has adequately provided for tax liabilities; however, the risk remains that relevant authorities could take a different position with regard to interpretive issues.

NOTE 25:- FINANCIAL INSTRUMENTS

a. Financial risk factors:

1. Cash flow interest rate risk:

The Group does not have any significant interest bearing assets and has bank borrowings at fixed rates.

2. Credit risk:

The Group performs ongoing credit evaluations of its lessees and purchasers and the financial statements include specific allowances for doubtful accounts which, in management's estimate, adequately reflect the underlying loss of debts whose collection is doubtful.

3. Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At the end of the reported period, the Group had significant balances in foreign currencies. The Group is exposed to foreign exchange risks arising from exposure with respect to the Russian Rouble. The Group's policy is not to enter into any currency hedging transactions on a speculative basis.

b. Fair values:

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

NOTE 26:- SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE (UNAUDITED)

a. In October 2006, the Company and a joint venture partner acquired a company (Techagrocom) that owns land near Moscow intended for development. The Company's share (50%) of the total consideration is US$ 12,875 thousand of which the cash consideration paid amounted to approximately US$ 6,438 thousand. A loan in the amount of US$ 6,437 thousand provided by the Company to the acquired company was offset (see Note 15) against the balance of the consideration.

b. In October 2006, the Company received approximately US$ 56.4 million in loans from banks guaranteed by shareholders, and repaid US$ 56.4 million in loans from shareholders. The bank loans bear annual interest at rates of LIBOR plus 1.1% to 1.25%. The repayments will begin in 2008 and the maturities are in 2009.

c. In November 2006, the shareholders of the Company converted loans in the amount of US$ 62,192 thousand to equity (capital reserves) in consideration for the issuance of 5 Ordinary shares.

NOTE 26:- SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE (UNAUDITED) (Cont.)

d. As for a change in share capital - see Note 19.

e. In July 2006, the Company paid US$ 1,600 thousand for an option to enter into a framework agreement under which two companies that together own a 100% interest in RealService LLC ("RealService"), a company that holds the leasehold interest in land in Moscow, would be purchased.

On 10 November 2006, the Company exercised the option to purchase the entire issued share capital of the two companies described above, at a price of US$ 20,400 thousand (total of US$ 22,000 thousand, including US$ 1,600 thousand that was paid on account of the option). The terms of payment, as agreed upon the exercise of the option, are as follows:

1. The agreement requires the parties to make their best efforts to enter into the first share sale and purchase agreement by 15 December 2006 and provides that closing shall be conditional on confirmation of registration of Gasconade's 58% interest in RealService and satisfaction of all other conditions precedent. Upon closing such first share sale and purchase agreement, the Company shall pay US$ 11,400 thousand.

2. Within 36 months from the date of the framework agreement ("postponement period"), the Company shall pay US$ 9,000 thousand to acquire the remaining 42% interest in RealService. If within the postponement period, one of the sellers does not (a) obtain a lease over adjacent land and (b) procure the rights to develop the land for building and parking rights, the remaining 42% of RealService will be acquired by the Company for US$ 1. If only the first condition is fulfilled, the remaining 42% interest in RealService will be acquired by the Company for US$ 4.5 million.

f. On 19 November 2006, the Company's shareholders resolved to become a public limited company and change the name of the Company from Bastwick Investments Limited to "Mirland Development Corporation plc".

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