20 May 2010

MIRLAND DEVELOPMENT CORPORATION PLC

("MirLand" / "Company")

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2010

MirLand Development Corporation PLC, one of the leading international residential and commercial property developers in Russia, today announces its results for the three months ended 31 March 2010.

Highlights:

- Total assets as at 31 March 2010 were US$641.4m (31 Dec 2009: US$616.1m);
- Equity as of 31 March 2010 was US$336.6m (31 Dec 2009: US$319.2m);
- Net income after tax in Q1 2010 amounted to US$5.6m (Q1 2009: loss of US$4.5m) mainly due to fair value adjustments of investment properties and investment properties under construction and a reduction in financing costs;
- Rental income and property management fees of US$4.5m (Q1 2009: US$4.2m);
- The Company continues to have modest leverage at 41% of assets, amounting to US$260.8m (31 December 2009: 42%; US$255,8m);
- The opening of the new Triumph Retail Mall, Saratov is scheduled for 24 June 2010. MirLand has already achieved either pre-let agreements or letters of intent for approximately 93% of the lettable area and the asset continues to experience strong tenant demand;
- To date, seven houses out of 77 available on completion of the first stage have been sold in the Western Residence project in Perkhushkovo;
- Following the period end, the Company entered into an agreement for the sale of its 50% interest in the Techagrocom project. The gross sale price for the 100% interest is US$40m (MirLand's share: US$20m), representing a premium of 6.3% over the valuation for the year ended 31 December 2009. MirLand expects to recognize an approximate US$3m capital gain as a result of this transaction.

Nigel Wright, Chairman, commented: *"Conditions in the global economy and real estate markets remain testing, but we appear to be seeing initial and, hopefully, sustainable signs of recovery in Russia. The Board remains focused on the delivery of the Company's business plan and, in light of improvements in the Russian macroeconomic environment, will continue to dedicate resources to completing projects presently under construction and commencing those where funding is secured. The successful execution of this strategy will enable us to bring projects on stream as the gradual recovery continues. We are pleased to report the physical completion of our second major retail project, and are encouraged that we have experienced strong tenant demand despite testing market conditions. The opening in June will represent further positive progress in the Company's evolution. In the meantime, we continue to intensify our efforts to improve our pre-sale and pre-letting activities throughout the portfolio. As in the past, we will move forward with the planning and design stages of our strategic projects, whilst acting to protect and enhance the income stream from our investment portfolio."*

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During the first quarter of 2010, MirLand has continued to employ a number of measures to ensure the deliverability of the Company's business plan and future strategy against a testing global and European economic backdrop. The key elements of the Company's business plan are to:

- maximize returns from existing assets;
- successfully complete those projects currently under construction; and
- resume pipeline projects subject to the availability and cost of financing and according to the level and cost of available finance and market demand for the completed end product.

The Company is strongly positioned to capitalise on opportunities as the market continues to gradually recover. This has been achieved through a combination of adjusting operations to focus strictly on managing cash flow and the development of pipeline projects and completing the construction of advanced projects, together with support from our main shareholder, the Fishman group of companies.

Moscow Fire Update

On 20 March 2010, a fire broke out at one of MirLand's completed office investment properties located in Moscow. The Company immediately notified its insurers and is awaiting the report from the insurer's loss adjustors regarding the extent and cost of the damage and its claim.

An investigation by the Moscow Fire Authority is also underway regarding the circumstances and causes of the fire.

In the accounts for the year ended 31 December 2009, the building was independently valued at US$23 million. The building is part of the of the MAG office complex, which was valued at US$63.2 million as at 31 December 2009. Following the fire, MirLand instructed its external valuers, Cushman & Wakefield, to reappraise the value of the building in question, taking into consideration the damage suffered. Consequently, in its financial statements as of 31 March 2010, the Company has recorded an impairment of value in respect of the building in the amount of US$8million, which has been entered into the "Fair value adjustments of investment properties and investment properties under construction" item.

The building also constitutes a part of the MAG office complex that is pledged to secure a loan taken by the Company, the balance of which, as of 31 March 2010, amounts to approximately US$15 million. The Company remains in full compliance with the financial covenants determined for it by the bank, which has been notified of the fire.

Financing

During the period, the Company drew down loans from its major shareholders of approximately US$4 million. These loans mature on 15 April 2012, bear interest at 15% per annum, and have been made pursuant to a loan agreement entered into on 17 May 2010, under which, the Company's major shareholders, Jerusalem Economy Ltd ('JEC'), Industrial Buildings Corporation Ltd ('IBC') and Darban Investments Limited ('Darban') agreed to extend loans in an amount of US$5 million split between them in proportion to their holdings in the Company. Subsequent to the balance sheet date, the last part of the loan framework was drawn down from the Company's major shareholders in the amount of about US$1 million.

Mr Eliezer Fishman, a non-executive director of the Company, and his wife Tova Fishman together hold approximately 53% in two companies which, through various intermediate companies hold an effective interest of approximately 71.8% of JEC which in turn holds an interest in approximately 28.8% of the Company. JEC also holds an interest of approximately 69.6% in IBC which in turn holds an interest of approximately 34.1% in the Company and approximately 11.5% in Darban. Mr Fishman holds an interest in approximately 54.2% of Darban, which in turn holds an interest of approximately 13.5% in the Company. Mr Eyal Fishman, also a non-executive director of the Company, holds a 15.8% equity interest in two companies which, through various intermediate companies hold an effective interest of approximately 71.8% of JEC.

The loan constitutes a related party transaction for the purposes of the AIM Rules for Companies because of the holdings described above. The Directors, other than Eliezer Fishman and Eyal Fishman - who have abstained from voting in relation to this transaction, consider, having consulted with the Company's nominated adviser, Credit

Suisse Securities (Europe) Limited, that the terms of the Loan are fair and reasonable insofar as the Company's shareholders are concerned.

Improving Business Environment in Russia

A modest recovery is underway in Russia following a 7.9% contraction in GDP in 2009 as macroeconomic indicators continue to show positive trends. Real GDP growth in Q1 2010 was 4.5% (YoY) and industrial production increased sharply. A recovery in oil prices and decreasing inflation has also led to an improvement in consumer confidence, employment statistics and upgrades in forecasts for the Russian economy.

This encouraging momentum was underlined in April when Russia resumed foreign borrowing for the first time since the 1998 financial crisis with a bond issue. The Finance Ministry raised US$5.5 billion in five- and ten-year bonds at spreads just 125 and 135 basis points above U.S. government bonds with similar maturities, implying that the risk attributed to investment into Russia has decreased, and is now lower than a number of Western Europe countries with large structural imbalances.

As inflation decelerated, and in order to stimulate further credit activity, the Russian central bank reduced its refinancing rate for the 13th time since December 2008. The Rouble exchange rate has also stabilized during the period and oil prices appear to have stabilised somewhat.

These improvements in macroeconomic indicators are gradually beginning to influence the real estate sector. Investment activity in the first quarter increased slightly, investment yields showed some improvement and tenant activity increased a little. Furthermore, the current spread between government bond yields and prime real estate yields in Russia, presently the highest in Europe, implies that the current trend of yield compression will continue. However, as the performance of the Russian economy relies heavily on oil prices, which are also highly volatile, and as the full outcome of recent events in Greece and other European countries is still unclear, it should be anticipated that the recovery will be gradual.

Outlook

The Board remains focused on the delivery of the Company's business plan and, in light of improvements in the Russian macroeconomic environment, expects to dedicate resources to the completion of projects already under construction and commencing those where funding is already in place to bring projects on stream as the gradual recovery continues. In conjunction with this, we continue to intensify our efforts to improve our pre-sale and pre-letting activities. As in the past, we will move forward with the planning and design stages of our strategic projects, whilst acting to protect and enhance the strong income stream from our investment portfolio.

We strongly believe in the quality of our portfolio and our clearly defined strategy. We further believe that, barring any unforeseen market aftershocks and subject to improving market demand and availability of funding, MirLand is reasonably well placed to benefit from these improving market conditions.

MIRLAND DEVELOPMENT CORPORATION PLC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 MARCH 2010

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March		31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	13,309	8,794	20,971
Short-term loans	1,191	1,059	1,164
Trade receivables	708	650	655
Other receivables	16,958	6,033	7,686
Inventories of buildings for sale	147,423	132,253	140,310
	179,589	148,789	170,786
NON-CURRENT ASSETS:			
Long-term receivables	16,369	13,631	21,909
Investment properties	185,040	161,103	187,419
Investment properties under construction	209,677	133,165	185,043
Inventories of buildings for sale	22,597	-	21,939
Long-term loans	19,701	55,282	19,311
Financial derivative	-	-	1,675
Fixed assets, net	1,403	1,347	1,232
Deferred expenses	1,212	1,577	753
Deferred taxes	5,768	4,417	6,020
	461,767	370,522	445,301
TOTAL ASSETS	641,356	519,311	616,087

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March		31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	69,579	68,203	68,964
Current maturities of long-term loans from banks and debentures	30,304	-	15,455
Loans from shareholders	46,096	27,740	20,672
Government authorities	2,400	2,282	2,475
Trade payables	8,533	7,980	11,584
Other accounts payable	9,264	9,441	7,003
	166,176	115,646	126,153
NON-CURRENT LIABILITIES:			
Loans from banks	57,614	16,973	74,077
Loans from shareholders	4,118	-	24,282
Debentures	53,039	62,042	52,345
Other non-current liabilities	6,940	8,681	5,082
Deferred taxes	16,890	9,868	14,947
Financial derivative	-	251	-
	138,601	97,815	170,733
TOTAL LIABILITIES	304,777	213,461	296,886
Equity attributable to equity holders of the Parent:			
Issued capital	1,036	1,036	1,036
Share premium	359,803	359,803	359,803
Capital reserve for share-based payment transactions	9,974	8,273	9,974
Capital reserve for transactions with controlling shareholders	2,702	2,617	2,702
Foreign currency translation reserve	(11,392)	(53,158)	(23,153)
Accumulated deficit	(25,569)	(12,746)	(31,186)
	336,554	305,825	319,176
Non controlling interests	25	25	25
TOTAL EQUITY	336,579	305,850	319,201
TOTAL EQUITY AND LIABILITIES	641,356	519,311	616,087

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Three months ended 31 March		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	3,773	3,607	14,754
Income from inventories selling	503	-	-
Revenues from management fees	754	639	2,459
Total revenues	5,030	4,246	17,213
Cost of sales	(637)	-	-
Cost of maintenance and management	(2,639)	(1,517)	(7,438)
Gross profit	1,754	2,729	9,775
General, administrative and marketing expenses	3,578	4,176	16,314
Adjustment of provision to service provider	(1,216)	(1,783)	2,802
Fair value adjustments of investment properties and investment properties under construction	4,865	19,076	(16,463)
Other expenses, net	1,885	290	(698)
Operating income (loss)	2,372	16,136	(20,898)
Finance income	6,866	1,790	8,675
Finance costs	(1,478)	(20,474)	(5,653)
Income (loss) before taxes on income	7,760	(2,548)	(17,876)
Taxes on income	2,143	1,996	5,108
Net income (loss)	5,617	(4,544)	(22,984)
Net earnings (loss) per share (in U.S. dollars per share):			
Basic and diluted net earnings (loss)	0.054	(0.044)	(0.222)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 31 March		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Net income (loss)	5,617	(4,544)	(22,984)
Other comprehensive income (loss):			
Exchange differences on translation of foreign operations	11,761	(34,073)	(4,068)
Total comprehensive income (loss)	17,378	(38,617)	(27,052)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment	Accumulated deficit	Currency translation reserve	Capital reserve for transactions with controlling shareholders	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands								
Balance at 1 January 2010	1,036	359,803	9,974	(31,186)	(23,153)	2,702	319,176	25	319,201
Comprehensive income	-	-	-	5,617	11,761	-	17,378	-	17,378
Balance at 31 March 2010 (unaudited)	1,036	359,803	9,974	(25,569)	(11,392)	2,702	336,554	25	336,579

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve for share-based payment	Accumulated deficit	Currency translation reserve	Capital reserve for transactions with controlling shareholders	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands								
Balance at 1 January 2009	1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236
Comprehensive loss	-	-	-	(4,544)	(34,073)	-	(38,617)	-	(38,617)
Share-based payment	-	-	193	-	-	-	193	-	193
Shareholders' contribution	-	-	-	-	-	2,038	2,038	-	2,038
Balance at 31 March 2009 (unaudited)	1,036	359,803	8,273	(12,746)	(53,158)	2,617	305,825	25	305,850

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Capital reserve for share-based payment transactions	Accumulated deficit	Currency Translation reserve	Capital reserve for transactions with controlling shareholders	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
		U.S. dollars in thousands								
Balance at 1 January 2009		1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236
Comprehensive loss		-	-	-	(22,984)	(4,068)	-	(27,052)	-	(27,052)
Share-based payment transactions		-	-	1,894	-	-	-	1,894	-	1,894
Shareholders' contribution		-	-	-	-	-	2,123	2,123	-	2,123
Balance at 31 December 2009		1,036	359,803	9,974	(31,186)	(23,153)	2,702	319,176	25	319,201

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income (loss)	5,617	(4,544)	(22,984)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	1,904	1,157	3,289
Depreciation and amortization	107	97	504
Finance costs (income), net	(5,620)	17,714	(2,066)
Share-based payment	-	193	1,894
Fair value adjustment of investment properties and investment properties under construction	(4,865)	(19,076)	16,463
Fair value adjustment of financial derivative	232	970	(956)
	(8,242)	1,055	19,128
Changes in asset and liability items:			
Increase in trade receivables	(33)	(362)	(317)
Decrease (increase) in other accounts receivable	(2,794)	551	(6,466)
Increase in buildings for sale	(1,061)	(4,695)	(18,473)
Increase (decrease) in trade payables	(3,339)	(2,030)	284
Increase (decrease) in other accounts payable	2,986	5,844	(3,038)
	(4,241)	(692)	(28,010)
Cash paid and received during the period for:			
Interest paid	(2,245)	(1,390)	(8,030)
Interest received	1	121	236
Taxes paid	(60)	(300)	(1,736)
Taxes received	-	-	537
	(2,304)	(1,569)	(8,993)
Net cash flows used in operating activities	(9,170)	(5,750)	(40,859)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	(24)	(395)	(1,902)
Additions to investment properties under construction	(5,256)	(16,620)	(49,684)
Purchase of fixed assets	(65)	(143)	(193)
Proceeds from the sale of fixed assets	2	-	556
Proceeds from the sale financial derivative	1,443	-	-
Grant of long-term loans	-	(2,876)	-
Net cash flows used in investing activities	(3,900)	(20,034)	(51,223)
Cash flows from financing activities:			
Short-term credit from banks and others, net	-	11,003	8,998
Receipt of long-term loans from shareholders	4,118	19,069	32,772
Receipt of long-term loans	-	-	68,332
Repayment of long-term loans	(1,477)	-	(3,895)
Deferred expenses on account of loan receipt	-	-	(1,364)
Net cash flows provided by financing activities	2,641	30,072	104,843
Exchange differences on balances of cash and cash equivalents	2,767	(5,316)	(1,612)
Increase (decrease) in cash and cash equivalents	(7,662)	(1,028)	11,149
Cash and cash equivalents at the beginning of the year	20,971	9,822	9,822
Cash and cash equivalents at the end of the year	13,309	8,794	20,971

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

NOTE 1:- GENERAL

a. These interim consolidated financial statements have been prepared in a condensed format as of 31 March 2010 and for the three-month period then ended ("**interim condensed consolidated financial statements**"). These financial statements should be read in conjunction with the Company's annual financial statements and accompanying notes as of 31 December 2009 and for the year then ended ("**annual financial statements**").

b. For the three months ended 31 March 2010, the Company recorded a net income of approximately $6 million, and had negative cash flows from operating activities of approximately $8 million (excluding cash outflows for additions to costs of construction of residential projects for sale of approximately $1 million).

Based on management plans and as reflected in the Company's forecasted cash flows, the Company expects to finance its activities in 2010 inter alia by obtaining loans from banks in Russia to be secured by properties which are presently unsecured with a fair value as of 31 March 2010 amounting to approximately $152 million, and revenues from sales of building projects that are expected to be completed during 2010, as well as by the Company’s operating cash flows.

In addition, the short-term loans from banks amounting to approximately $71 million are secured by non-cancellable bank guarantees of the controlling shareholders until the full repayment of the loans.

In addition, the controlling shareholders provided loans to the Company of approximately $50 million that will repaid since 31 December 2010. The Company believes that the loans repayment will be financed by the Company's operating cash flows and by obtaining finance from third parties.

Based on the above, management believes that Company will be able to meet all of its financial obligations.

It must be pointed out that there is no certainty that these assumptions and estimates will be realized in full or in part since they are dependent on outside and macro economic factors over which the Company cannot have any influence, or where the Company's ability to influence them is limited, and in light of the currently prevailing uncertainty as to the length or force of the financial crises, and the manner and force of its impact on the Company and its operations. In the event the Company's aforesaid liable to be a materially adverse change in the Company's liquidity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim condensed consolidated financial statements:

The interim condensed consolidated financial statements for the three months ended 31 March 2010 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("**Interim Financial Reporting**").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The significant accounting policies and methods of computation followed in the preparation of the interim condensed consolidated financial statements are identical to those followed in the preparation of the latest annual financial statements, except for the adoption of new Standards and Interpretations as noted below:

IFRS 3 (Revised) - Business Combinations and IAS 27 (Amended) - Consolidated and Separate Financial Statements:

IFRS 3 (Revised) and the amendments to IAS 27 ("**the Standards**") are effective for annual financial statements for periods beginning on 1 January 2010.

The principal changes expected to take place following the adoption of the Standards are:

- The definition of a business was broadened so that it also contains activities and assets that are not managed as a business as long as the seller is capable of operating them as a business.

- IFRS 3 currently prescribes that goodwill, as opposed to the acquiree's other identifiable assets and liabilities, will be measured as the excess of the cost of the acquisition over the acquirer's share in the fair value of the identifiable assets, net on the acquisition date. According to the Standards, non-controlling interests, including goodwill, can be measured either at fair value or at the proportionate share of the acquiree's fair value of net identifiable assets, this in respect of each business combination transaction measured separately.

- Contingent consideration in a business combination is measured at fair value and changes in the fair value of the contingent consideration, which do not represent adjustments to the acquisition cost in the measurement period, are not simultaneously recognized as goodwill adjustments. If the contingent consideration is classified as a liability it will be measured at fair value through profit or loss.

- Direct acquisition costs attributed to a business combination transaction are recognized in the statement of income as incurred as opposed to the previous requirement of carrying them as part of the consideration of the cost of the business combination, which has been removed.

- Subsequent measurement of a deferred tax asset for acquired temporary differences which did not meet the recognition criteria at acquisition date will be against profit or loss and not as an adjustment to the goodwill.

- A transaction with the non-controlling interests, whether a sale or an acquisition, will be accounted for as an equity transaction and will therefore not be recognized in the statement of income or have any effect on the amount of goodwill, respectively.

- A subsidiary's losses, even if resulting in a capital deficiency in a subsidiary, will be allocated between the parent company and non-controlling interests, even if the non-controlling interests have not guaranteed or have no contractual obligation for sustaining the subsidiary or of investing further amounts.

- On the loss or achievement of control of a subsidiary, the remaining investment, if any, will be revalued to fair value against gain or loss from the sale and this fair value will represent the cost basis for the purpose of subsequent treatment.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The revision was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of the interim condensed consolidated financial statements.

IAS 36 - Impairment of Assets:

The amendment to IAS 36 defines the required accounting unit to which goodwill will be allocated for impairment testing of goodwill. Pursuant to the amendment, the largest unit permitted for impairment testing of goodwill acquired in a business combination is an operating segment as defined in IFRS 8, "Operating Segments" before the aggregation for reporting purposes.

The amendment was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations:

According to the amendment to IFRS 5, when the parent decides to sell part of its interest in a subsidiary so that after the sale the parent retains a non-controlling interest, such as rights conferring to significant influence, all the assets and liabilities attributed to the subsidiary will be classified as held for sale if the relevant criteria of IFRS 5 are met, including the presentation as a discontinued operation. Further, an additional amendment specifies that the disclosures required in respect of non-current assets (or disposal groups) that are classified as held for sale or discontinued operations. Pursuant to the amendment, only the disclosures required in IFRS 5 will be provided. Disclosures in other IFRSs apply to such assets only if they require specific disclosures in respect of non-current assets or disposal groups.

The amendment was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

IFRIC 17 - Distributions of Non-cash Assets to Owners:

IFRIC 17 ("**the Interpretation**") provides guidance on how to account for a non-cash asset distribution to owners that are not controlling shareholders, including fixed assets, a business as defined in IFRS 3 and ownership interests in another entity. The Interpretation will be adopted prospectively starting from the financial statements for periods beginning on 1 January 2010. Earlier application is permitted.

According to the Interpretation, a liability to distribute is recognized when it is appropriately authorized by the entity. The liability is measured at the fair value of the asset to be distributed and carried directly to retained earnings in equity. At each balance sheet date, until the de-recognition of the asset, the liability is measured at the fair value of the assets and the changes in fair value are carried to retained earnings. At the date of de-recognition, a gain or loss is recognized in the statement of income in the amount of the difference between the amount of the liability and the carrying amount of the asset until the date of de-recognition.

The Interpretation was adopted as a prospective change on 1 January 2010.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The adoption of the Interpretation did not have any material effect on the presentation of the interim condensed consolidated financial statements.

IAS 17 - Leases:

The amendment to IAS 17 ("**the amendment**") deals with the classification of land and buildings. Pursuant to the amendment, the specific criteria for classification of land were removed. Consequently, the requirement to classify a lease of land as an operating lease when title does not pass at the end of the lease no longer exists but the classification of a lease of land is examined by reference to the general guidance in IAS 17 which addresses the classification of a lease as finance or operating while taking into account that land, normally, has an indefinite economic life.

The amendment was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of the interim condensed consolidated financial statements.

NOTE 3:- SEGMENTS

	Commercial	Residential	Total
		Unaudited	
Three months ended 31 March 2010:		U.S. dollars in thousands	
Segment revenues	4,527	503	5,030
Segment results	5,626	(606)	5,020
Unallocated expenses			(2,648)
Finance costs			(1,478)
Finance income			6,866
Profit before taxes on income			7,760

	Commercial	Residential	Total
		Unaudited	
Three months ended 31 March 2009:		U.S. dollars in thousands	
Segment revenues	4,246	-	4,246
Segment results	19,378	(713)	18,665
Unallocated expenses			(2,529)
Finance costs			(20,474)
Finance income			1,790
Loss before taxes on income			(2,548)

NOTE 3:- SEGMENTS (Cont.)

	Commercial	Residential	Total
		Audited	
Year ended 31 December 2009:		U.S. dollars in thousands	
Segment revenues	17,213	-	17,213
Segment results	(7,384)	(1,521)	(8,905)
Unallocated expenses (1)			(11,993)
Net finance income (costs)			3,022
Loss before income tax			(17,876)

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. On 20 March 2010, a fire broke out in an office building for rent that is located in Moscow which is owned by a subsidiary of the Company ("**the office building**"), where the value of the office building according to independent appraiser is in the amount of approximately $23 million as of 31 December 2009.

The Company notified the insurance company that provides insurance coverage for the real estate of the subsidiary about the fire. The Company is awaiting the report from the insurance company's appraiser with regard to the estimate of the damage caused to the office building, and the conclusions of the investigation by the firefighting authority for the circumstances that caused the fire. Following the fire, the Company referred to an outside appraiser in order that he would appraise the value of the office building, taking into consideration the damages that were caused.

As a result, in its financial statements as of 31 March 2010, the Company recorded an impairment of value in respect to the fire in the amount of about $8 million which it entered into the "decrease (increase) of fair value of investment real estate under construction" item. In addition, the office building constitutes a part of the of the office building complex (MAG) that is pledged to secure a loan taken by the Company from a bank, the balance for which as of 31 March 2010 amounts to about $15 million.

As of 31 March 2010, the Company has notified the bank about the fire and is complying with the financial covenants determined for it by the bank.

b. On March 15, 2010, the payment of a loan from the Company's shareholders in the amount of $ 9 million, as well as the accrued interest, was deferred to 31 March 2011, with terms identical to those in the appendix to the agreement dated 16 November 2009, as detailed in Note 15b to the Company's financial statements as of December 31, 2009.

c. During the period, the Company was extended loans by its major shareholders in an amount aggregating to approximately $4 million, which mature on 15 April 2012, bearing annual interest at a rate of 15%, which is in accordance with the loan framework agreement entered into on 17 May 2010, pursuant to which, the Company's major shareholders will extend loans in an amount of $5 million. Subsequent to the balance sheet date, the last part of the loan framework was obtained from the Company's major shareholders in an amount of about $1 million.

NOTE 5:- SUBSEQUENT EVENTS

On 17 May 2010, the Company entered into agreement for the sale of holdings (50%) of Techagrocom company that owns land in Moscow. The Company expected to receive approximately $20 million regarding the sale and to recognize the profit from the sale in the amount of approximately $3 million.